

FRANKLIN REGIONAL RETIREMENT SYSTEM

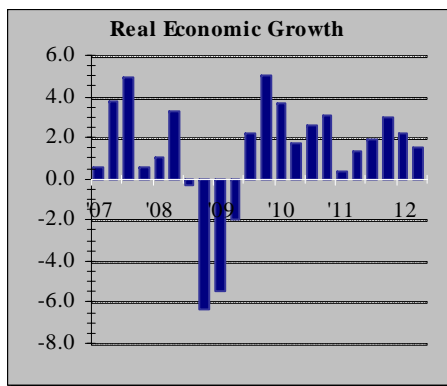
**PERFORMANCE REVIEW
JUNE 2012**



ECONOMIC ENVIRONMENT

Still recovering – but even more slowly

Economic indicators remain mixed. One could survey the landscape as a 'glass half full' or more easily as 'half empty.' The good news included still positive but struggling GDP growth; a decline in oil prices; tame inflation; a likely bottoming of the housing market; the Fed's ongoing Operation Twist pumping money into the economy; and near zero short-term borrowing rates. Spain's bank bailout provided temporary relief from the Euro crisis and Greece's decision to remain in the European



Union also provided a confidence boost. Offsetting economic realities included lower GDP estimates for full year 2012; a moderating manufacturing level; declining consumer confidence; and the monthly new jobs report stuck well below 100,000.

The second quarter GDP growth rate is estimated to be between

1.0% and 1.5%, weaker than the first quarter's GDP 1.9% annual rate, and a further slide from the fourth quarter of 2011's 3.0%. On the positive side of the ledger, higher personal consumption, housing expenditures and corporate spending helped. On the negative side reduced government spending at all levels – federal, state and local – was the key negative. Net imports also reduced growth. Despite these concerns, the overall economy has been positive for 37 straight months!

US crude oil prices ended the quarter below \$85 per barrel, a 22% fall from February and the biggest decline since the fourth quarter of 2008. The slumping prices reflected weak global demand and improving production in Iraq as well as new production due to hydro-fracking technology. After two months of decline, wholesale prices (PPI) in general increased just 0.1% on a seasonally adjusted basis in June. Prices of most PPI components decreased, with the notable exception of food. For the full quarter, the index fell 1.1%. The CPI was unchanged in June following a 0.3% slide in May. For the trailing year the CPI rose a modest 1.7%.

Home prices rose in April (latest month available), after seven months of decline. The S&P/Case-Shiller Index climbed 1.3% as nineteen of the twenty cities in the index showed increases. (Detroit was the only city that experienced a price decline.) While one favorable month doesn't constitute a trend, prices also improved on a year over year basis.

The Fed extended its Operation Twist program through year-end 2012, assuring that borrowing costs would remain at record lows. Chairman Bernanke also made clear his intention to take further action should the economy falter. There was also mildly encouraging news on the European front. Spain's effort to shore up its banks and Greece's decision to attack its deficit were welcome news for US exporters.

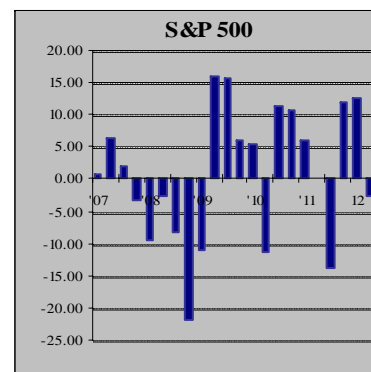
Everyone's focus continues to be the lack of sustained job growth. Specifically, only 75,000 jobs per month were created in Q2 vs. a healthy 226,000 in Q1. The slowdown impacted most industry sectors. On the other hand, professional and service employment has grown by 1.5 million since its September 2009 low and average hourly pay has reached \$23.50, three times the minimum wage level.

Economic uncertainty at home and abroad has uniformly hurt global equity markets and helped most bond markets, especially US Treasuries.

EQUITY MARKET

May was a 'killer' month

The S&P's modest 2.75% loss masked a wild ride during the quarter. After declining 0.6% in April, the bellwether index plunged 6% in May, followed by its best June performance since 1999 (+4.1%). May's loss



was attributed to fears emanating from the first of two Greek elections that appeared to signal a serious crack in Euro solidarity. However, in June, two events seemed to mend that rift. The second Greek election brought the necessary austerity measures and the European Central Bank made progress toward easing Europe's banking crisis.

A poorly executed Facebook IPO and huge JPMorgan derivative losses (reportedly \$4.4 Billion and counting) did not help investor sentiment. Despite the bad news, domestic stock market performance could have been much worse.

There were essentially no positives among the standard indices. Aside from the S&P, small, medium and large-cap indices all suffered declines. The Russell 2000 fell 3.5%, the Russell Mid Cap lost 4.4% and the Russell 1000 dipped 3.1%. Value stocks lost less than their growth counterparts due to the more defensive character of the value sectors. For example, while the Russell 1000 Value Index declined 2.2%, the Growth Index dropped slightly more than 4% and the tech-laden NASDAQ Composite lost 5.1%. Only one index advanced; the S&P US REIT Index gained 3.8%, reflecting strength in commercial and apartment properties as well as retail investors' appetite for high yielding securities.

The more economically sensitive sectors of the S&P sectors declined more than the noncyclical components. Financials, comprising almost 15% of the index, fell 5.3%. Technology names, Energy and Basic stocks all lost between 4.8% and 5.7%. On the positive side, Consumer Non-durables, Services and Utilities posted gains. Utilities, in particular, gained 6.7%, as investors rushed to safer havens.

The S&P dividend rate rose moderately to 2.1% because of price declines. The S&P P/E ratio stayed within historical norms at 18.0x. Only 30% of stocks had P/E ratios above 20x, suggesting that prices were more in line with earnings.

INTERNATIONAL EQUITIES

Eurozone in Distress

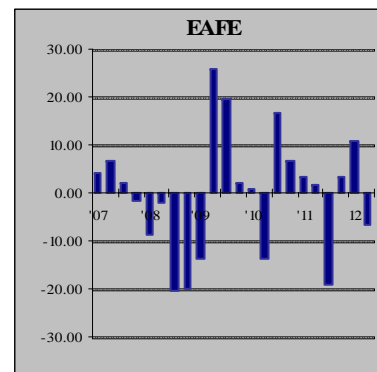
Each country component of the MSCI EAFE Index of developed markets experienced negative results (except Belgium). EAFE fell 6.9% and dwarfed comparable US market declines. While double digit losses were largely confined to the Eurozone, virtually all country bourses fell 5% or more. Only Belgium and Denmark had more nominal declines.

All the major players except Ireland fell off a cliff. As a group, the Eurozone fell 9.5%. Three of the PIIGS contributed their fair share as

markets in Portugal (-17.4%), Italy (-11.5%) and Spain (-11.9%) mirrored their unsustainable sovereign debt levels. Ireland, much further along in its austerity program, was the default winner among the PIIGS, losing a relatively small 4.6%. Unfortunately, the Greek market was in a class by itself, hemorrhaging another 27.5% from an already low base! Surprisingly, the two economically strongest EAFE members, France and Germany, couldn't escape investor angst. As a result, their markets fell 8.2% and 11.7%, respectively.

Like Ireland, the UK had also implemented its austerity program without the street protests seen elsewhere. Its market fell 4.0%.

The Far East countries collectively declined 6.8%. Hong Kong lost 4.9%, reflecting China's slowing economy. Japan lost 7.3%, despite the



fact that its economy is rebounding from the post tsunami crisis; however, the loss was mitigated by a substantial Yen appreciation. Australia lost 5.0%, in part because of slowing commodity exports. Finally, Israel, the newest EAFE component, fell 13.6%; that decline was partly attributable to a flight out of tech stocks, which comprise a large segment of the Israeli market.

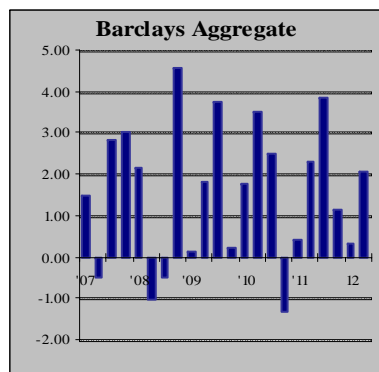
The MSCI Emerging Market Index (EM) fell 10%, which was a greater decline than that of the US and other developed markets. The key BRIC country component slid 13.5%. China's loss of 7.7% reflected some concern about that country's slowing economy and its once per decade top leadership turnover. For reference, Chinese officials recently announced that growth would approximate 7.6% this year; yet investors fret that this rosy forecast is overly optimistic. Returns from Brazil (-20.0%), India (-10.2%) and Russia (-16.9%) were nothing to shout about. Brazil lost ground on three fronts: home currency weakness, lower commodity exports and rising internal political problems. India's currency was also weak and its economic growth had slowed to roughly 5%. Russia was dragged down by slumping oil prices and palpable suspicions of the newly re-elected President Putin.

Three EM countries bucked the trend. The Mexican market lost only 1.1%, aided by the expected return of the PRI political party and an increase in non-oil exports. Turkey's 1.3% gain reflected relative stability in an otherwise war-torn and politically chaotic Middle East. The Philippines was unique among the EM stock markets, showing a modest 4.1% gain. Overall, it appeared that investors had lost confidence in the global equity markets, fleeing to bonds in a 'risk off' strategy.

BOND MARKET

Anchor to windward again

The Barclays Aggregate Index rallied 2.1% in Q2 after advancing only 0.3% in the first quarter. The chief reason remained investor fear, which translated into a US Treasury buying frenzy. Certainly, historically low Treasury yields (the 10-year reached a record low 1.45% yield on June 1st) won't make investors happy on a permanent basis – but a very low yield was at least a better bet than equity red ink. The Treasury buying program was most dramatic at the long end, with 20+ year maturities earning a staggering 11.8%! However, the flight-to-quality appeared among all one-year and longer maturities as Treasuries fell all along the yield curve.



Although trailing Treasury performance, corporate bonds also turned in positive returns in all credit categories. Here, too, yields typically fell to new lows (3.1%). The investment grade Credit sector gained 2.5%. Single A credits posted the best result (+2.7%).

As noted for several quarters, lower credit or high yield bonds had been star performers. In a reversal this past quarter, the lower credit ratings led to progressively lower returns. BA bonds gained 2.3%; single B debt added a lesser 1.8%; CAA issues posted a nominal 1.1%; CA-D issues actually fell 1.8%. The bottom line: bond investors were skittish about low-rated, highly-leveraged companies.

Residential mortgage debt earned 1.1%, roughly 1% lower than the overall bond market. GNMA's, the most secure mortgage component, added 1.2%. While the cloud may be lifting in the housing market, slow progress in home prices and foreclosure resolution tempered returns. Performance of commercial mortgage bonds (CMBS) slowed to 0.9%. Asset-backed securities, including collateralized credit card debt, performed better (1.3%).

As of quarter-end, the Aggregate Index yielded a historically low 1.98% (yield-to-worst), had an average maturity of 7.1-years, and a modified adjusted duration of 5.07-years. Total assets of the combined index are currently valued at \$16.5 trillion.

Sovereign risk returns among the G-6 countries (excluding US Treasuries) averaged 1.2%. Japan and the UK were the drivers, earning 4.2% and 2.1%, respectively. Canada's return was a nominal 0.4%. French, German and Italian debt lost value in sync with the ongoing Euromarket crisis. Italian sovereigns were the worst performers, losing 6.7%. Emerging market debt had a respectable 1.4% return. The majority of countries listed in the EM Index were slightly to moderately positive. The three top performers were Cote D'Ivoire (+21.4%), the Dominican Republic (+6.2%) and Peru (+5.3%). Argentina, which recently nationalized a Repsol affiliate, fell disastrously (-13.1%).

CASH EQUIVALENTS

Savers earned nothing

The Federal Reserve has made no move to prod interest rates upward. Rather, Chairman Bernanke has repeatedly informed Congress that the Fed will keep rates near zero for at least two more years. As a direct result, money market instruments offer nothing in return but safety. The return on 1-3 month Treasuries was 0.03%. Investors would have to own Treasuries with more than five-year maturities to expect any meaningful return and more than ten-year maturities to expect to earn any real return, net of inflation. Historically, short term cash equivalents have offered a modest real rate of return.

MARKET SUMMARY

ECONOMIC STATISTICS

	CURRENT QTR	LAST QTR
GDP	1.5	1.9
Unemployment	8.2	8.2
CPI All Items Year/Year	1.66	2.65
Fed Funds Rate	0.25	0.25
Industrial Capacity	78.9	78.4
US Dollars per Euro	1.26	1.33

MAJOR INDEX QUARTER RETURNS

INDEX		PERFORMANCE
Russell 3000	-3.1	
S&P 500	-2.8	
Russell Mid	-4.4	
Russell 2000	-3.5	
MSCI EAFE	-6.8	
MSCI Emg Mkts	-8.8	
NCREIF ODCE	2.5	
Barclays Agg	2.1	
90 Day Tbills	0.0	

EQUITY RETURN DISTRIBUTIONS

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	-2.2	-3.1	-4.0	3.0	4.4	5.8
MC	-3.3	-4.4	-5.6	-0.4	-1.7	-3.0
SC	-3.0	-3.5	-3.9	-1.4	-2.1	-2.7

MARKET SUMMARY

- * GDP growth has slowed, but still remains positive at a rate of 1.5%.
- * The US unemployment rate has stalled at 8.2%.
- * Global equity markets retreated, led by the emerging and developed international markets.
- * Inflation has tamed, with CPI increasing 1.66% year over year.
- * The US dollar strengthened relative to the Euro.

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System was valued at \$87,022,833, a decrease of \$2,676,385 from the March ending value of \$89,699,218. Last quarter, the account recorded total net withdrawals of \$687,647 in addition to \$1,988,738 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$689,726 and realized and unrealized capital losses totaling \$2,678,464.

Since December 2006, the account has recorded net contributions totaling \$2.5 million, and generated net investment gains totaling \$13.3 million. Since December 2006, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$112.4 million or \$25.3 million more than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

Total Fund

The Franklin Regional Policy Index is the weighted return of each asset classes' benchmark in proportion to its target allocation.

For the second quarter, the Composite portfolio lost 2.2%, which was 0.6% below the Franklin Regional Policy Index's return of -1.6% and ranked in the 62nd percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned -0.5%, which was 3.8% less than the benchmark's 3.3% performance, and ranked in the 83rd percentile. Since December 2006, the portfolio returned 2.9% annualized and ranked in the 56th percentile. The Franklin Regional Policy Index returned an annualized 2.7% over the same time frame.

PRIT Core

The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used is the Cambridge Private Equity Index. A flat return for the quarter was assumed, due to the unavailability of performance.

In the second quarter, the PRIT core portion of the portfolio returned -1.5%, which was 0.6% above the Custom Core Index's return of -2.1%. Over the trailing twelve-month period, this segment returned -0.1%, which was 0.7% below the benchmark's 0.6% return. Since December 2006, this component returned 2.1% annualized, while the Custom Core Index returned an annualized 2.8% over the same period.

Domestic Equity

The Custom Equity Index is the weighted return of the S&P 500, S&P 400, and Russell 2000 indices based on the System's equity manager target allocations.

The domestic equity portfolio lost 5.9% during the second quarter, 2.3% below the Franklin County Equity Index's return of -3.6% and ranked in the 76th percentile of the All Cap universe. Over the trailing twelve months, this component returned -7.4%; that return was 7.8% less than the benchmark's 0.4% return, and ranked in the 92nd percentile. Since December 2006, this component returned 2.8% annualized and ranked in the 51st percentile. For comparison, the Franklin County Equity Index returned an annualized 2.3% during the same time frame.

Real Estate

During the second quarter, the real estate portion of the portfolio gained 1.7%, which was 0.8% less than the NCREIF NFI-ODCE Index's return of 2.5%. Over the trailing year, this segment returned 12.2%, which was 0.2% less than the benchmark's 12.4% return. Since December 2006, this component returned -0.3% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 0.8% over the same period.

Fixed Income

The fixed income assets returned 2.1% during the second quarter, equal to the Barclays Aggregate Index's return of 2.1% and ranked in the 54th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this component returned 7.6%, 0.1% greater than the benchmark's 7.5% performance, ranking in the 68th percentile. Since December 2006, this component returned 6.8% on an annualized basis and ranked in the 53rd percentile. The Barclays Aggregate Index returned an annualized 6.4% during the same time frame.

Franklin Regional Retirement System
Total Fund Asset Allocation Analysis
As of June 30, 2012

Total Fund Assets \$ 87,022,833

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
<u>PRIT Core Fund</u>	100.0%	55.4%	55.0%	\$ 47,862,558	\$ 48,173,258	\$ 310,700
Domestic Equity	19.5%	10.8%			\$ 9,403,420	
Int'l Equity	16.9%	9.3%			\$ 8,131,646	
E.M. Int'l Equity	6.7%	3.7%			\$ 3,232,426	
Core Fixed Income	13.0%	7.2%			\$ 6,267,341	
Value Added Fixed Income	8.7%	4.8%			\$ 4,186,256	
Real Estate	9.4%	5.2%			\$ 4,537,921	
Timber/Natural Resources	4.0%	2.2%			\$ 1,907,661	
Alternatives-Private Equity	12.1%	6.7%			\$ 5,848,234	
Hedge Funds	9.7%	5.4%			\$ 4,658,354	
<u>Separate Managers</u>		44.6%	45.0%			
Polen Capital		5.6%	6.0%	\$ 5,221,370	\$ 4,898,237	\$ (323,133)
O'Shaughnessy		5.7%	6.0%	\$ 5,221,370	\$ 4,954,662	\$ (266,708)
Seizert		4.5%	5.0%	\$ 4,351,142	\$ 3,932,980	\$ (418,162)
Daruma		9.8%	10.0%	\$ 8,702,283	\$ 8,498,783	\$ (203,500)
PRIT RE		5.3%	5.0%	\$ 4,351,142	\$ 4,653,499	\$ 302,357
Prudential		0.0%	0.0%	\$ -	\$ 2,464	\$ 2,464
IR&M		12.8%	13.0%	\$ 11,312,968	\$ 11,117,913	\$ (195,055)
Cash		0.9%	0.0%	\$ -	\$ 791,037	\$ 791,037

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
Domestic Equity	36.4%	40.0%	-3.6%	\$ 31,688,082	\$ 34,809,133	\$ (3,121,051)
Int'l Equity	13.1%	15.0%	-1.9%	\$ 11,364,072	\$ 13,053,425	\$ (1,689,353)
Fixed Income	24.8%	25.0%	-0.2%	\$ 21,571,510	\$ 21,755,708	\$ (184,198)
Real Estate	10.6%	10.0%	0.6%	\$ 9,193,884	\$ 8,702,283	\$ 491,601
Timber	2.2%	2.5%	-0.3%	\$ 1,907,661	\$ 2,175,571	\$ (267,910)
Alternatives-Private Equity	6.7%	5.0%	1.7%	\$ 5,848,234	\$ 4,351,142	\$ 1,497,092
Hedge Funds	5.4%	2.5%	2.9%	\$ 4,658,354	\$ 2,175,571	\$ 2,482,783
Cash	0.9%	0.0%	0.9%	\$ 791,037	\$ -	\$ 791,037
	100.0%	100.0%		\$ 87,022,833	\$ 87,022,833	

EXECUTIVE SUMMARY

PERFORMANCE SUMMARY

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	-2.2	5.3	-0.5	12.0	2.9
<i>PUBLIC FUND RANK</i>	(62)	(72)	(83)	(29)	(56)
Total Net/Fees	-2.4	5.0	-1.0	11.4	2.4
POLICY INDEX	-1.6	6.3	3.3	11.9	2.7
PRIT Core	-1.5	5.8	-0.1	11.4	2.1
CUSTOM CORE IDX	-2.1	5.3	0.6	10.9	2.8
Domestic Equity	-5.9	6.7	-7.4	17.0	2.8
<i>ALL CAP RANK</i>	(76)	(71)	(92)	(51)	(51)
CUSTOM EQ INDEX	-3.6	8.7	0.4	17.7	2.3
PRIT EQUITY	-3.0	9.3	3.7	16.2	-1.0
S&P 500	-2.8	9.5	5.5	16.4	1.4
S&P 400	-4.9	7.9	-2.3	19.4	4.4
RUSSELL 3000	-3.1	9.3	3.8	16.7	1.6
RUSSELL 1000	-3.1	9.4	4.4	16.6	1.6
RUSSELL 1000G	-4.0	10.1	5.8	17.5	4.1
RUSSELL 1000V	-2.2	8.7	3.0	15.8	-0.9
RUSSELL MID	-4.4	8.0	-1.7	19.4	2.7
RUSSELL 2000	-3.5	8.5	-2.1	17.8	1.6
Real Estate	1.7	6.4	12.2	9.5	-0.3
NCREIF ODCE	2.5	5.4	12.4	8.4	0.8
Fixed Income	2.1	3.4	7.6	8.0	6.8
<i>CORE FIXED INCOME RANK</i>	(54)	(33)	(68)	(53)	(53)
BARCLAYS AGG	2.1	2.4	7.5	6.9	6.4
PRIT FIXED	2.1	3.3	8.1	8.4	6.2
GOV/CREDIT	2.6	2.7	8.8	7.3	6.4
INT AGGREGATE	1.3	2.0	5.3	6.0	5.9
INT GOV/CREDIT	1.5	2.1	5.4	5.8	5.7

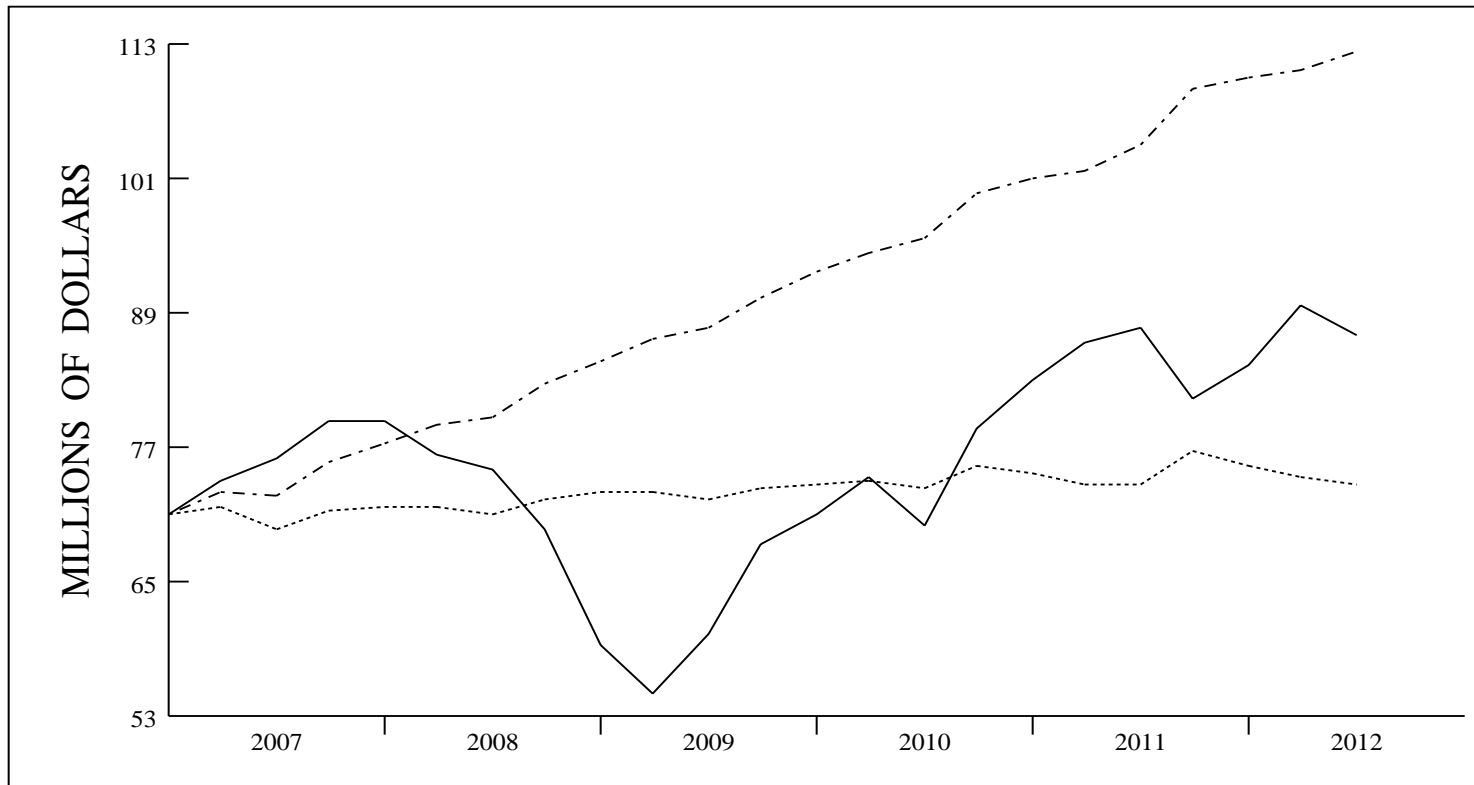
ASSET ALLOCATION

PRIT Core	55.4%	\$ 48,173,258
Domestic Equity	24.7%	21,453,759
Real Estate	5.4%	4,655,963
Fixed Income	12.8%	11,117,913
Cash	1.9%	1,621,939
Total Portfolio	100.0%	\$ 87,022,833

INVESTMENT RETURN

Market Value 3/2012	\$ 89,699,218
Contribs / Withdrawals	-687,647
Income	689,726
Capital Gains / Losses	-2,678,464
Market Value 6/2012	\$ 87,022,833

INVESTMENT GROWTH

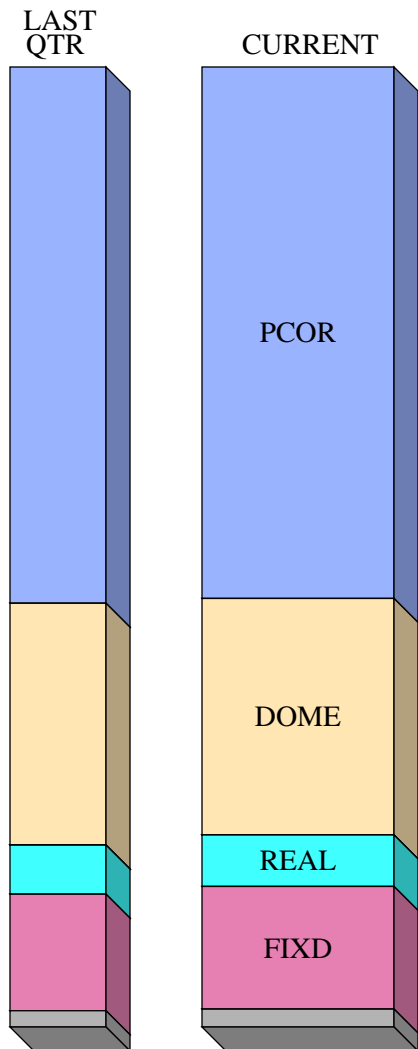


— ACTUAL RETURN
 - - - 8.0%
 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 112,350,051

	LAST QUARTER	PERIOD 12/06 - 6/12
BEGINNING VALUE	\$ 89,699,218	\$ 71,238,860
NET CONTRIBUTIONS	-687,647	2,483,363
<u>INVESTMENT RETURN</u>	<u>-1,988,738</u>	<u>13,300,610</u>
ENDING VALUE	\$ 87,022,833	\$ 87,022,833
INCOME	689,726	9,551,320
<u>CAPITAL GAINS (LOSSES)</u>	<u>-2,678,464</u>	<u>3,749,290</u>
INVESTMENT RETURN	-1,988,738	13,300,610

ASSET ALLOCATION










	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
PRIT CORE	\$ 48,173,258	55.4%	55.0%	0.4%
DOMESTIC EQUITY	21,453,759	24.7%	27.0%	-2.3%
REAL ESTATE	4,655,963	5.4%	5.0%	0.4%
FIXED INCOME	11,117,913	12.8%	13.0%	-0.2%
CASH & EQUIVALENT	1,621,939	1.9%	0.0%	1.9%
<hr/> TOTAL FUND	<hr/> \$ 87,022,833	<hr/> 100.0%		

MANAGER PERFORMANCE SUMMARY






Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	-2.2 (62)	5.3 (72)	-0.5 (83)	12.0 (29)	1.5 (72)
<i>Franklin Regional Policy Index</i>		<i>-1.6 ----</i>	<i>6.3 ----</i>	<i>3.3 ----</i>	<i>11.9 ----</i>	<i>1.7 ----</i>
PRIT Core Fund		-1.5 ----	5.8 ----	-0.1 ----	11.4 ----	0.6 ----
<i>Custom Core Index</i>		<i>-2.1 ----</i>	<i>5.3 ----</i>	<i>0.6 ----</i>	<i>10.9 ----</i>	<i>1.5 ----</i>
Polen Capital Mangement	(LC Growth)	-7.1 (87)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Growth</i>		<i>-4.0 ----</i>	<i>10.1 ----</i>	<i>5.8 ----</i>	<i>17.5 ----</i>	<i>2.9 ----</i>
O'Shaughnessy Asset Management	(LC Value)	-2.9 (31)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Value</i>		<i>-2.2 ----</i>	<i>8.7 ----</i>	<i>3.0 ----</i>	<i>15.8 ----</i>	<i>-2.2 ----</i>
Seizert Capital Partners	(Mid Cap)	-8.6 (89)	3.0 (95)	-10.4 (90)	---- ----	---- ----
<i>Russell Mid Cap</i>		<i>-4.4 ----</i>	<i>8.0 ----</i>	<i>-1.7 ----</i>	<i>19.4 ----</i>	<i>1.1 ----</i>
Daruma	(Small Cap)	-5.1 (61)	7.1 (66)	-13.1 (97)	18.7 (53)	2.3 (42)
<i>Russell 2000</i>		<i>-3.5 ----</i>	<i>8.5 ----</i>	<i>-2.1 ----</i>	<i>17.8 ----</i>	<i>0.5 ----</i>
PRIT Core Real Estate		1.7 ----	6.4 ----	9.9 ----	---- ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		<i>2.5 ----</i>	<i>5.4 ----</i>	<i>12.4 ----</i>	<i>8.4 ----</i>	<i>-0.9 ----</i>
Income Research & Management	(Core Fixed)	2.1 (54)	3.4 (33)	7.6 (68)	8.0 (53)	7.2 (58)
<i>Barclays Aggregate Index</i>		<i>2.1 ----</i>	<i>2.4 ----</i>	<i>7.5 ----</i>	<i>6.9 ----</i>	<i>6.8 ----</i>

MANAGER VALUE ADDED

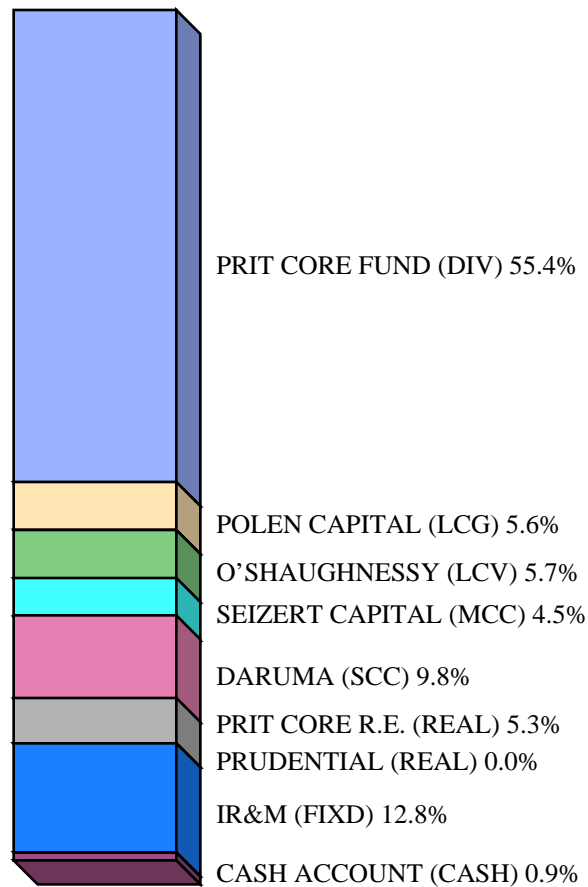
Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.6 
Polen Capital	Russell 1000G	-3.1 
O'Shaughnessy	Russell 1000V	-0.7 
Seizert Capital	Russell Mid	-4.2 
Daruma	Russell 2000	-1.6 
PRIT Core R.E.	NCREIF ODCE	-0.8 
IR&M	Barclays Agg	0.1
Total Portfolio	Policy Index	-0.6 

Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-0.7 
Polen Capital	Russell 1000G	N/A
O'Shaughnessy	Russell 1000V	N/A
Seizert Capital	Russell Mid	-8.7 
Daruma	Russell 2000	-11.1 
PRIT Core R.E.	NCREIF ODCE	-2.4 
IR&M	Barclays Agg	0.1
Total Portfolio	Policy Index	-3.9 

MANAGER ALLOCATION SUMMARY

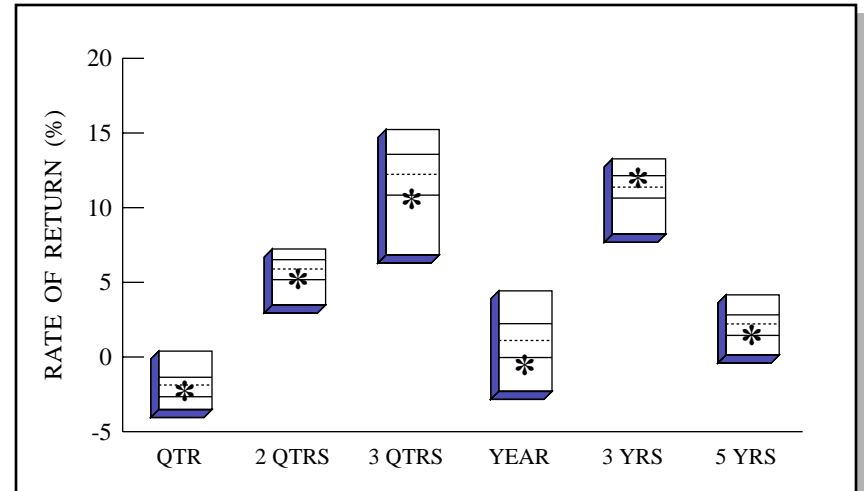
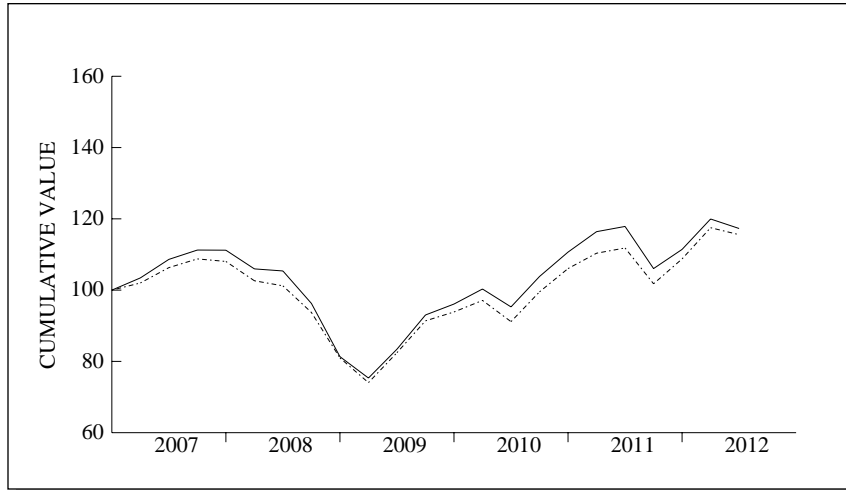


Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$48,173,258	55.4	55.0
Polen Capital (LCG)	\$4,898,237	5.6	6.0
O'Shaughnessy (LCV)	\$4,954,662	5.7	6.0
Seizert Capital (MCC)	\$3,932,980	4.5	5.0
Daruma (SCC)	\$8,498,783	9.8	10.0
PRIT Core R.E. (REAL)	\$4,653,499	5.3	5.0
Prudential (REAL)	\$2,464	0.0	0.0
IR&M (FIXD)	\$11,117,913	12.8	13.0
Cash Account (CASH)	\$791,037	0.9	0.0
Total Fund	\$87,022,833	100.0	100.0

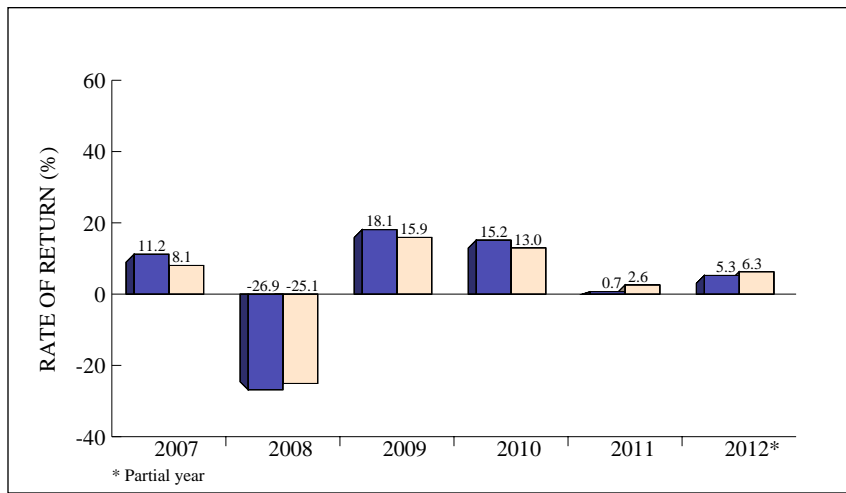
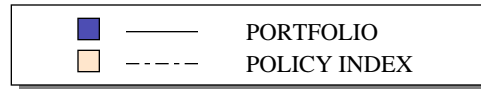
INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value March 31st, 2012	Net Cashflow	Net Investment Return	Market Value June 30th, 2012
PRIT Core Fund (DIV)	-1.5	50,111,180	-986,972	-950,950	48,173,258
Polen Capital (LCG)	-7.1	5,273,154	0	-374,917	4,898,237
O'Shaughnessy (LCV)	-2.9	5,103,112	-115	-148,335	4,954,662
Seizert Capital (MCC)	-8.6	4,304,613	0	-371,633	3,932,980
Daruma (SCC)	-5.1	8,951,231	0	-452,448	8,498,783
PRIT Core R.E. (REAL)	1.7	4,580,649	-4,887	77,737	4,653,499
Prudential (REAL)	---	2,464	0	0	2,464
IR&M (FIXD)	2.1	10,886,453	0	231,460	11,117,913
Cash Account (CASH)	---	486,362	304,327	348	791,037
Total Fund	-2.2	89,699,218	-687,647	-1,988,738	87,022,833

TOTAL RETURN COMPARISONS



Public Fund Universe

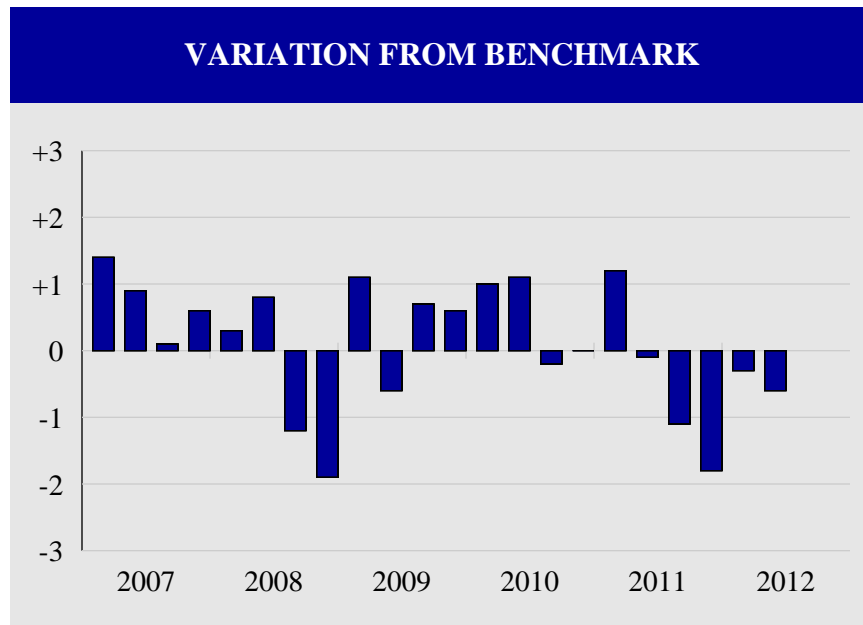


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-2.2	5.3	10.6	-0.5	12.0	1.5
(RANK)	(62)	(72)	(78)	(83)	(29)	(72)
5TH %ILE	0.4	7.2	15.2	4.4	13.3	4.2
25TH %ILE	-1.4	6.5	13.6	2.2	12.2	2.8
MEDIAN	-1.9	5.9	12.2	1.1	11.4	2.2
75TH %ILE	-2.7	5.2	10.8	0.0	10.7	1.4
95TH %ILE	-3.5	3.5	6.8	-2.3	8.2	0.1
Policy Idx	-1.6	6.3	13.6	3.3	11.9	1.7

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

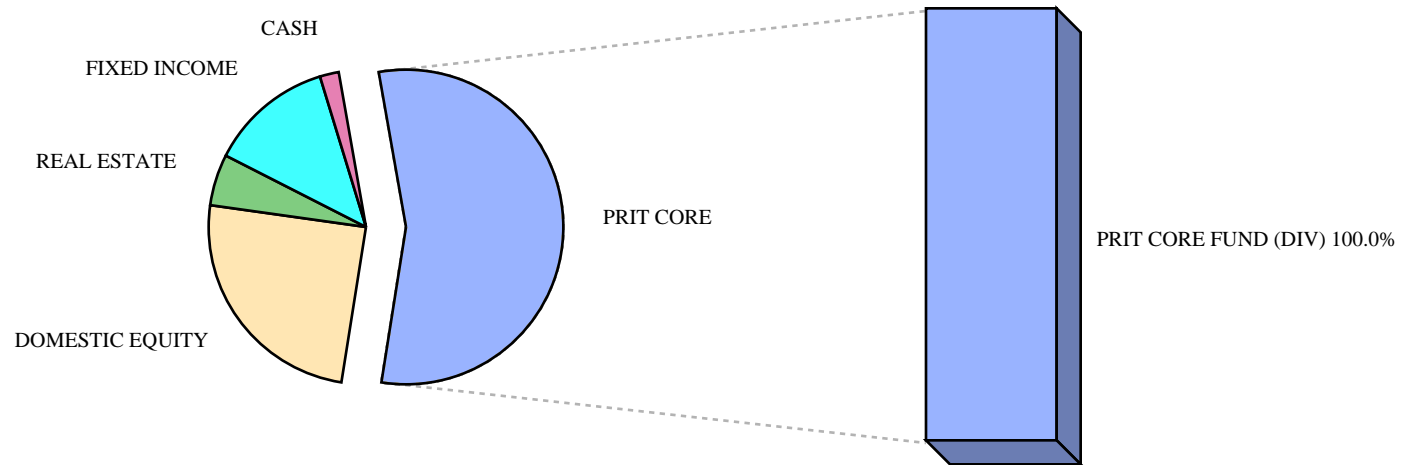
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



Total Quarters Observed	22
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	9
Batting Average	.591

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.4	2.0	1.4
6/07	5.1	4.2	0.9
9/07	2.4	2.3	0.1
12/07	0.0	-0.6	0.6
3/08	-4.7	-5.0	0.3
6/08	-0.6	-1.4	0.8
9/08	-8.6	-7.4	-1.2
12/08	-15.5	-13.6	-1.9
3/09	-7.4	-8.5	1.1
6/09	10.7	11.3	-0.6
9/09	11.5	10.8	0.7
12/09	3.3	2.7	0.6
3/10	4.4	3.4	1.0
6/10	-5.0	-6.1	1.1
9/10	9.0	9.2	-0.2
12/10	6.6	6.6	0.0
3/11	5.2	4.0	1.2
6/11	1.3	1.4	-0.1
9/11	-10.1	-9.0	-1.1
12/11	5.1	6.9	-1.8
3/12	7.7	8.0	-0.3
6/12	-2.2	-1.6	-0.6

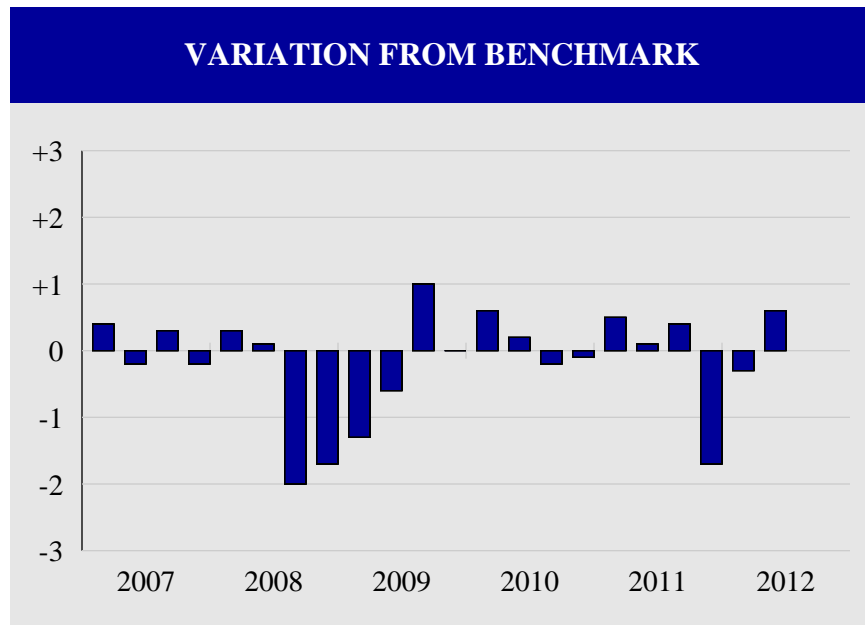
PRIT CORE MANAGER SUMMARY



		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
PRIT CORE FUND		-1.5 ---	5.8 ---	-0.1 ---	11.4 ---	0.6 ---	\$48,173,258
<i>Custom Core Index</i>		<i>-2.1 ---</i>	<i>5.3 ---</i>	<i>0.6 ---</i>	<i>10.9 ---</i>	<i>1.5 ---</i>	---

PRIT CORE QUARTERLY PERFORMANCE SUMMARY

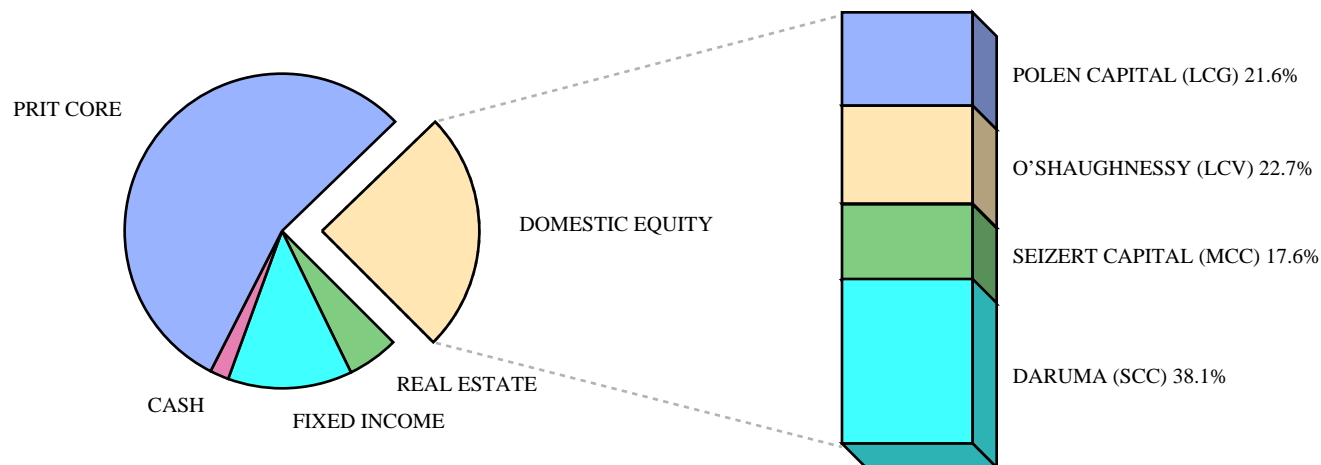
COMPARATIVE BENCHMARK: CUSTOM CORE INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.5	1.0
12/09	2.9	2.9	0.0
3/10	3.5	2.9	0.6
6/10	-5.0	-5.2	0.2
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.8	0.5
6/11	1.7	1.6	0.1
9/11	-9.0	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6

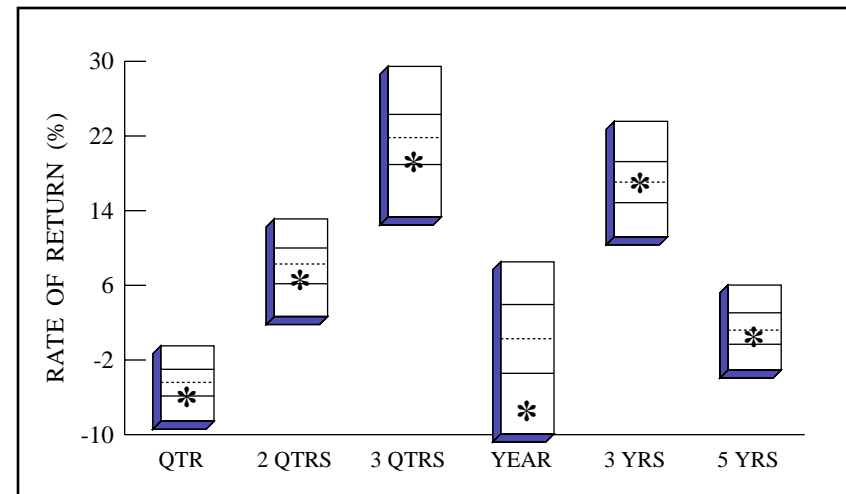
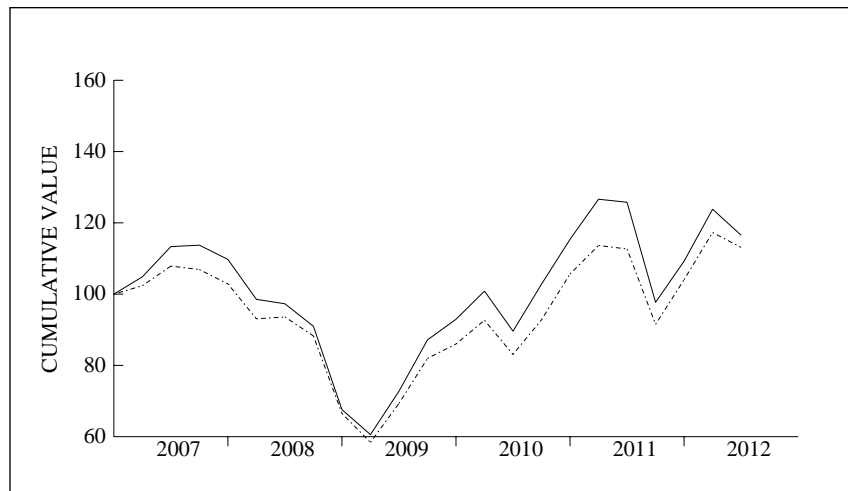
Total Quarters Observed	22
Quarters At or Above the Benchmark	12
Quarters Below the Benchmark	10
Batting Average	.545

DOMESTIC EQUITY MANAGER SUMMARY

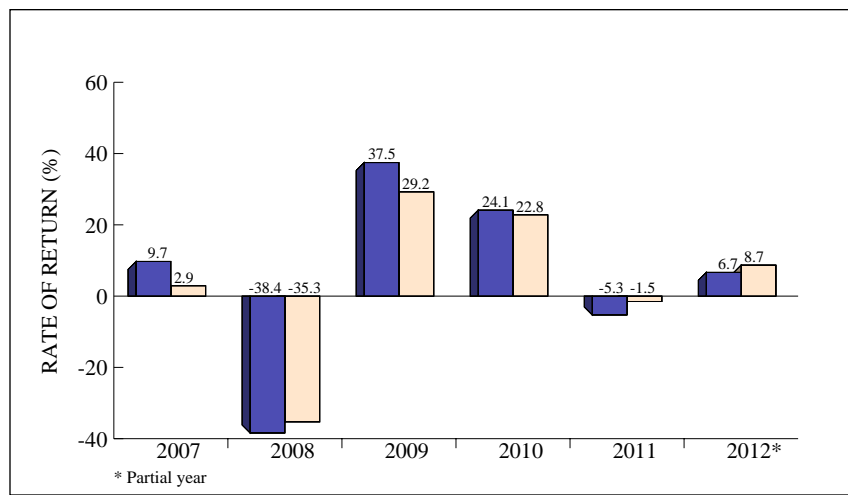
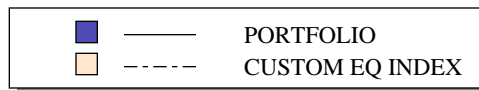


		TOTAL RETURNS AND RANKINGS					
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
POLEN CAPITAL	(Large Cap Growth)	-7.1 (87)	---- ----	---- ----	---- ----	---- ----	\$4,898,237
<i>Russell 1000 Growth</i>		<i>-4.0 ----</i>	<i>10.1 ----</i>	<i>5.8 ----</i>	<i>17.5 ----</i>	<i>2.9 ----</i>	----
O'SHAUGHNESSY	(Large Cap Value)	-2.9 (31)	---- ----	---- ----	---- ----	---- ----	\$4,954,662
<i>Russell 1000 Value</i>		<i>-2.2 ----</i>	<i>8.7 ----</i>	<i>3.0 ----</i>	<i>15.8 ----</i>	<i>-2.2 ----</i>	----
SEIZERT CAPITAL	(Mid Cap)	-8.6 (89)	3.0 (95)	-10.4 (90)	---- ----	---- ----	\$3,932,980
<i>Russell Mid Cap</i>		<i>-4.4 ----</i>	<i>8.0 ----</i>	<i>-1.7 ----</i>	<i>19.4 ----</i>	<i>1.1 ----</i>	----
DARUMA	(Small Cap)	-5.1 (61)	7.1 (66)	-13.1 (97)	18.7 (53)	2.3 (42)	\$8,498,783
<i>Russell 2000</i>		<i>-3.5 ----</i>	<i>8.5 ----</i>	<i>-2.1 ----</i>	<i>17.8 ----</i>	<i>0.5 ----</i>	----

DOMESTIC EQUITY RETURN COMPARISONS



All Cap Universe

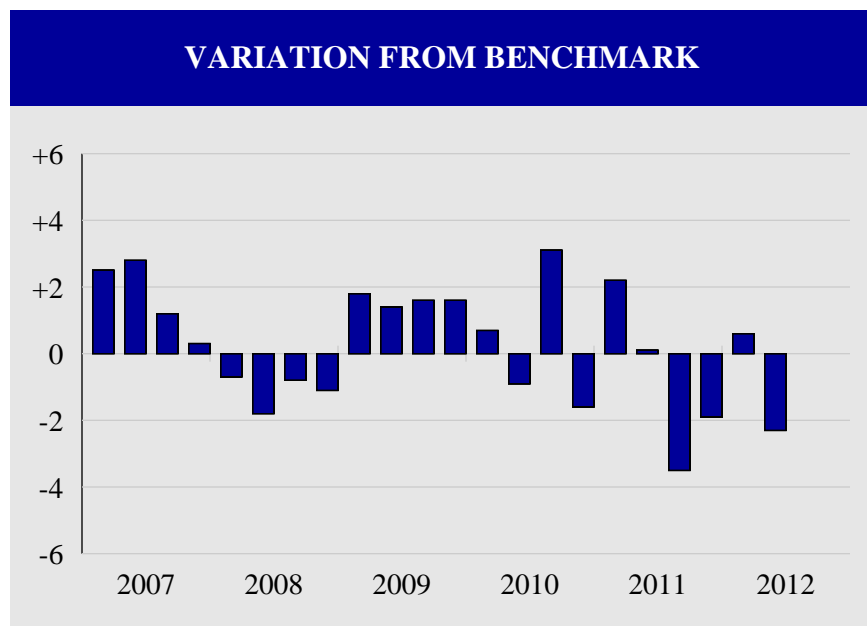


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-5.9	6.7	19.3	-7.4	17.0	0.6
(RANK)	(76)	(71)	(73)	(92)	(51)	(62)
5TH %ILE	-0.5	13.1	29.5	8.5	23.6	6.0
25TH %ILE	-3.0	10.0	24.3	4.0	19.3	3.1
MEDIAN	-4.4	8.3	21.8	0.3	17.1	1.2
75TH %ILE	-5.9	6.2	18.9	-3.4	14.9	-0.3
95TH %ILE	-8.6	2.7	13.3	-9.9	11.2	-3.1
Equity Index	-3.6	8.7	23.6	0.4	17.7	1.0

All Cap Universe

DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

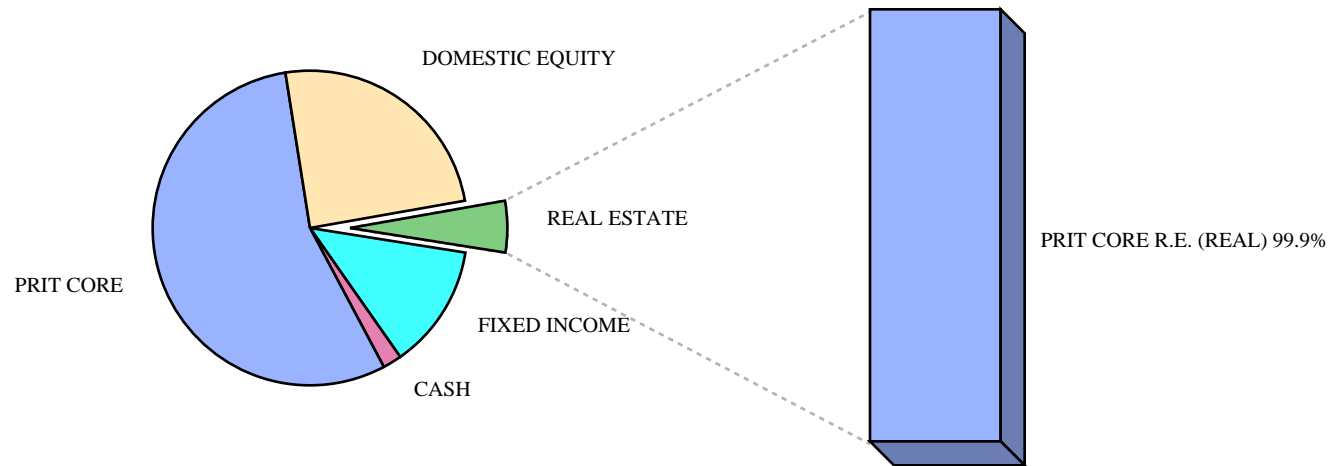
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	4.9	2.4	2.5
6/07	8.1	5.3	2.8
9/07	0.3	-0.9	1.2
12/07	-3.5	-3.8	0.3
3/08	-10.2	-9.5	-0.7
6/08	-1.2	0.6	-1.8
9/08	-6.5	-5.7	-0.8
12/08	-25.7	-24.6	-1.1
3/09	-10.4	-12.2	1.8
6/09	20.1	18.7	1.4
9/09	19.8	18.2	1.6
12/09	6.6	5.0	1.6
3/10	8.5	7.8	0.7
6/10	-11.2	-10.3	-0.9
9/10	14.8	11.7	3.1
12/10	12.2	13.8	-1.6
3/11	9.8	7.6	2.2
6/11	-0.7	-0.8	0.1
9/11	-22.3	-18.8	-3.5
12/11	11.8	13.7	-1.9
3/12	13.3	12.7	0.6
6/12	-5.9	-3.6	-2.3

Total Quarters Observed	22
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	9
Batting Average	.591

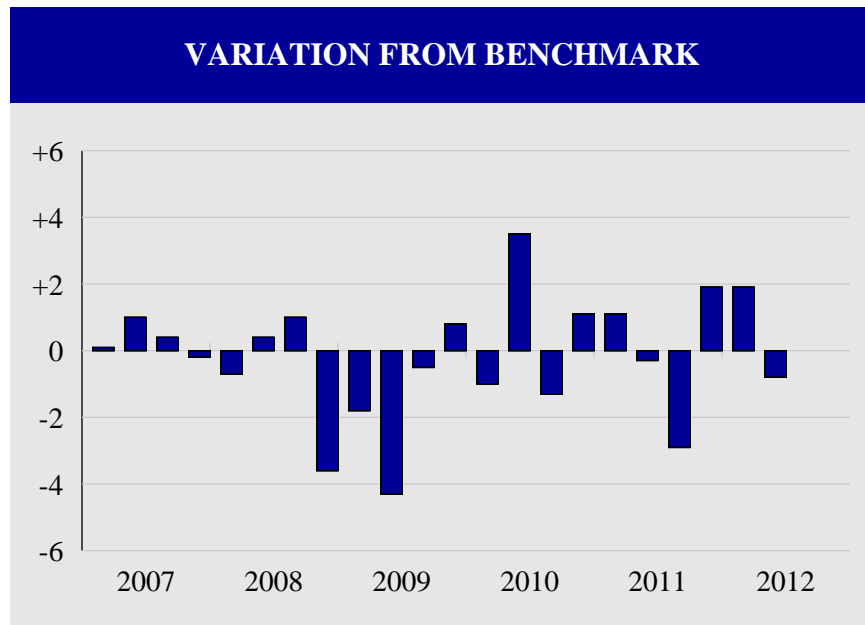
REAL ESTATE MANAGER SUMMARY



MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE R.E.		1.7 ---	6.4 ---	9.9 ---	---- ---	---- ---	\$4,653,499
<i>NCREIF NFI-ODCE Index</i>		<i>2.5 ---</i>	<i>5.4 ---</i>	<i>12.4 ---</i>	<i>8.4 ---</i>	<i>-0.9 ---</i>	---

REAL ESTATE QUARTERLY PERFORMANCE SUMMARY

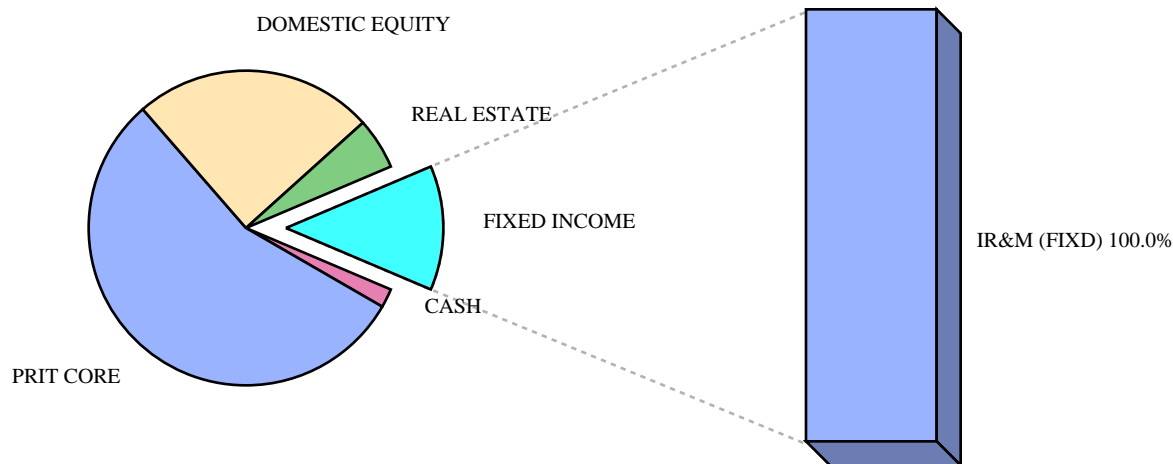
COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	4.0	3.9	0.1
6/07	6.1	5.1	1.0
9/07	4.4	4.0	0.4
12/07	1.9	2.1	-0.2
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1
6/11	4.3	4.6	-0.3
9/11	0.6	3.5	-2.9
12/11	4.9	3.0	1.9
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8

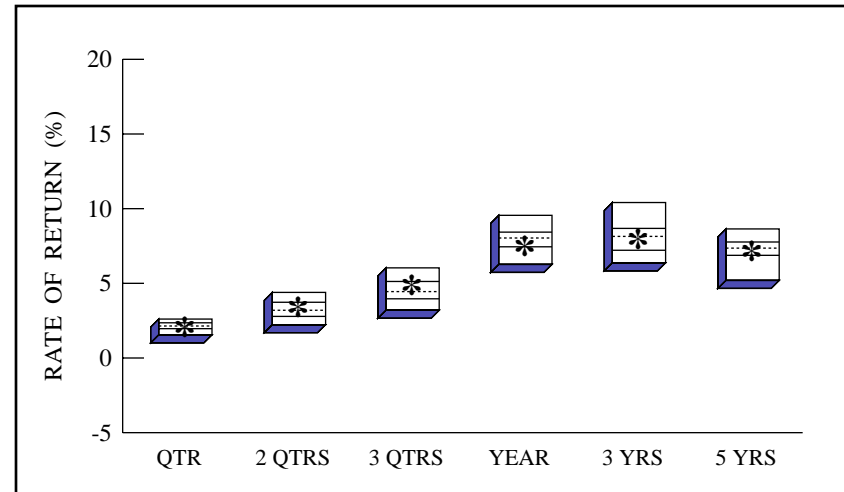
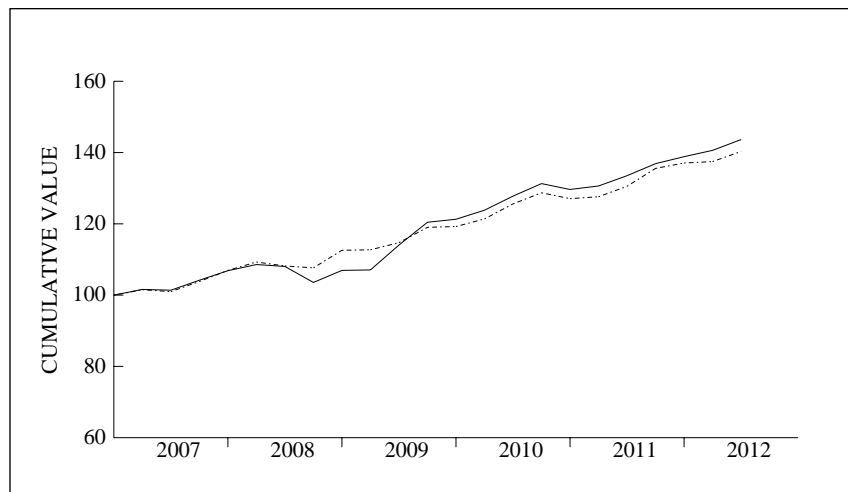
Total Quarters Observed	22
Quarters At or Above the Benchmark	11
Quarters Below the Benchmark	11
Batting Average	.500

FIXED INCOME MANAGER SUMMARY

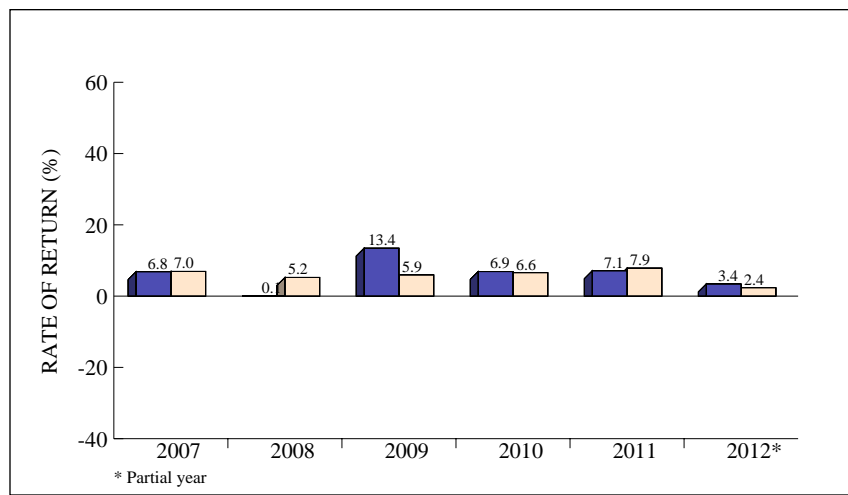
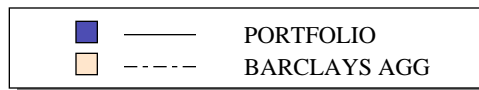


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	2.1 (54)	3.4 (33)	7.6 (68)	8.0 (53)	7.2 (58)	\$11,117,913
<i>Barclays Aggregate Index</i>		2.1 ---	2.4 ---	7.5 ---	6.9 ---	6.8 ---	---

FIXED INCOME RETURN COMPARISONS

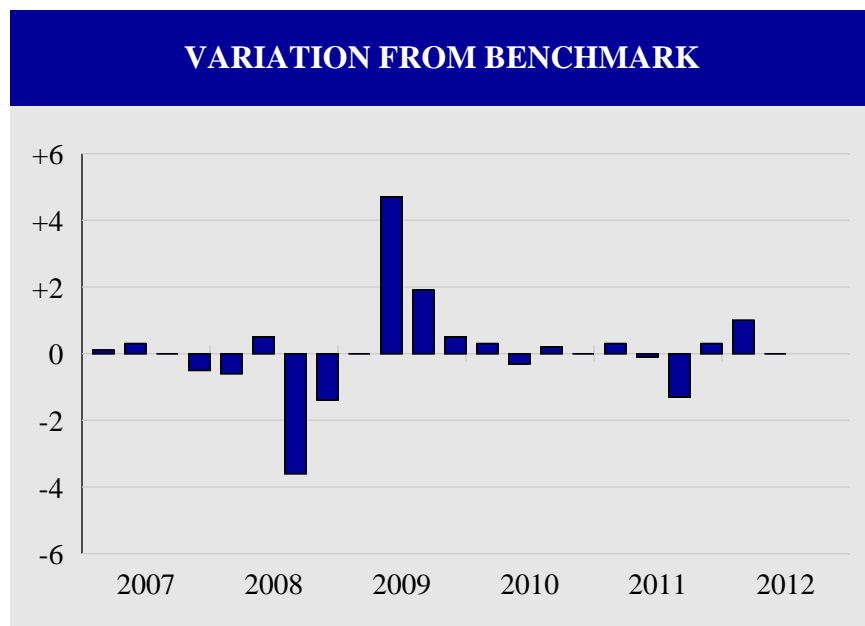


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.1	3.4	4.9	7.6	8.0	7.2
(RANK)	(54)	(33)	(33)	(68)	(53)	(58)
5TH %ILE	2.6	4.4	6.0	9.6	10.4	8.6
25TH %ILE	2.4	3.7	5.1	8.4	8.7	7.8
MEDIAN	2.2	3.2	4.4	8.0	8.1	7.4
75TH %ILE	2.0	2.8	4.0	7.4	7.2	6.9
95TH %ILE	1.6	2.2	3.2	6.3	6.4	5.2
Agg Index	2.1	2.4	3.5	7.5	6.9	6.8

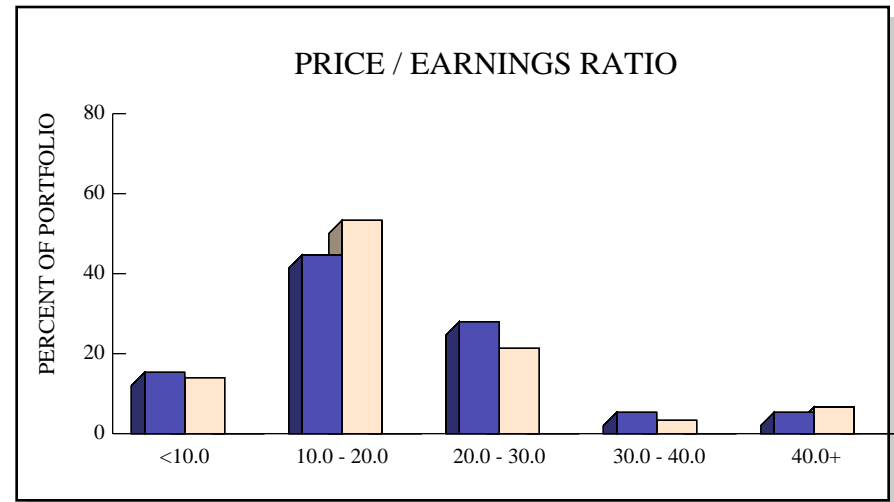
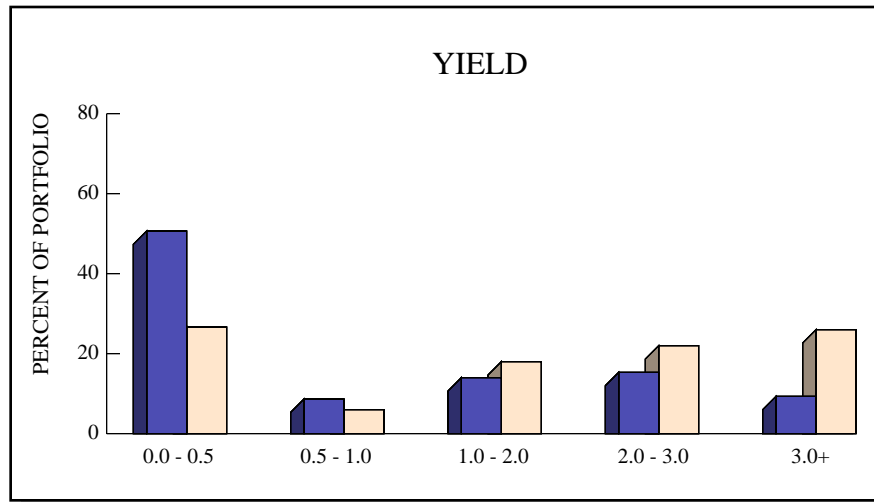
Core Fixed Income Universe

FIXED INCOME QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

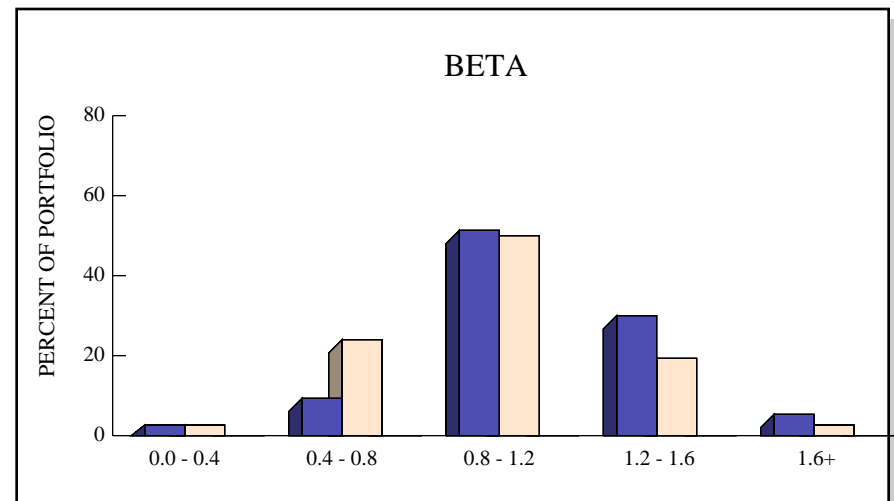
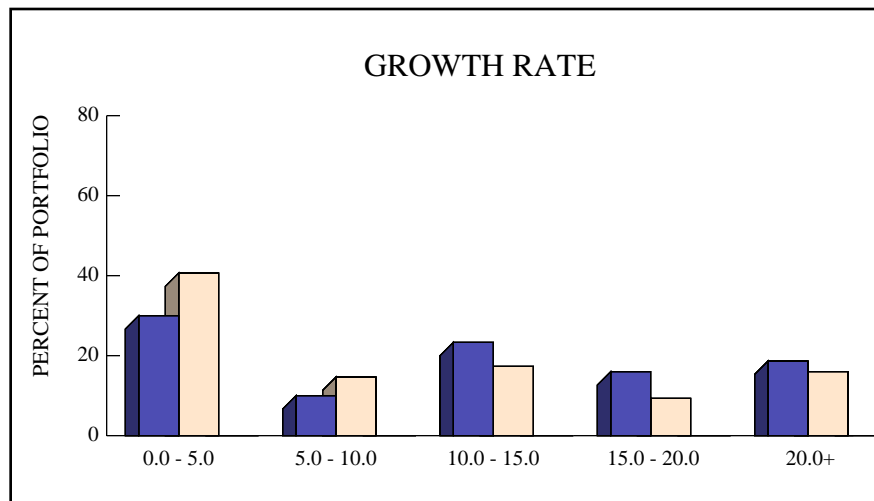
Total Quarters Observed	22
Quarters At or Above the Benchmark	15
Quarters Below the Benchmark	7
Batting Average	.682

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.8	2.8	0.0
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3
6/11	2.2	2.3	-0.1
9/11	2.5	3.8	-1.3
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0

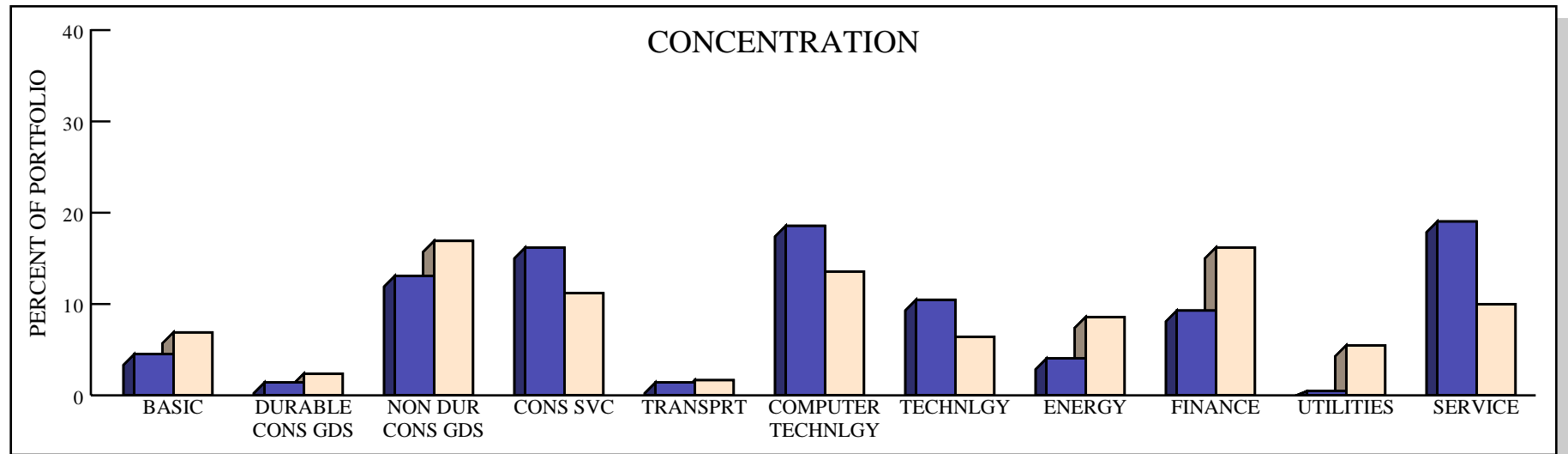
STOCK CHARACTERISTICS



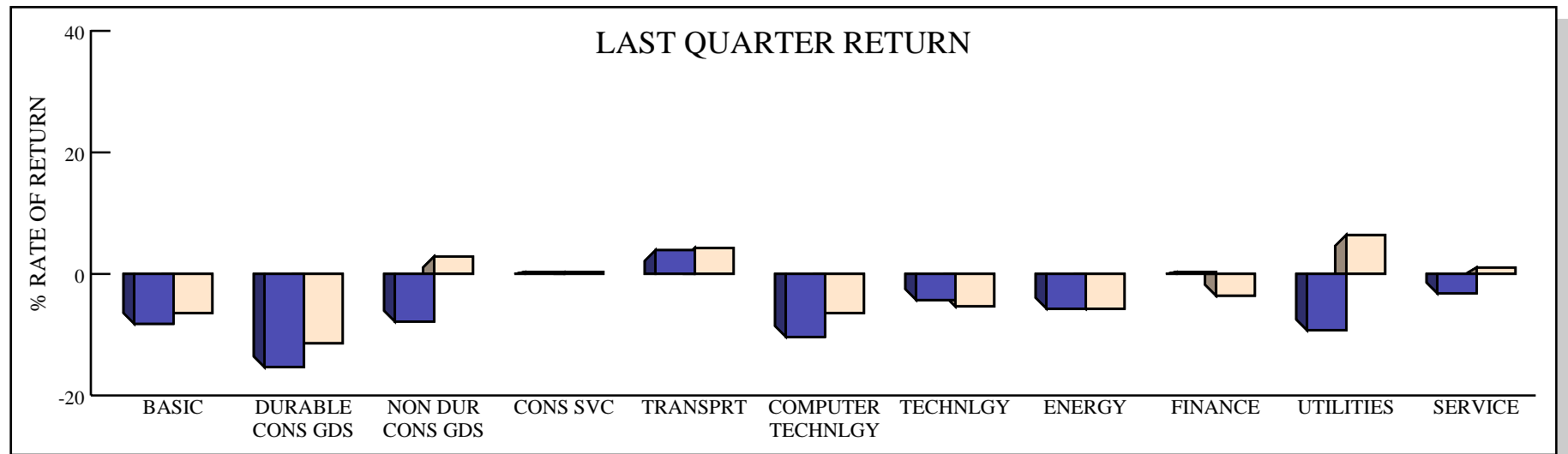
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	11.9%	18.0	1.10
RUSSELL 3000	2.0%	9.2%	18.2	0.99



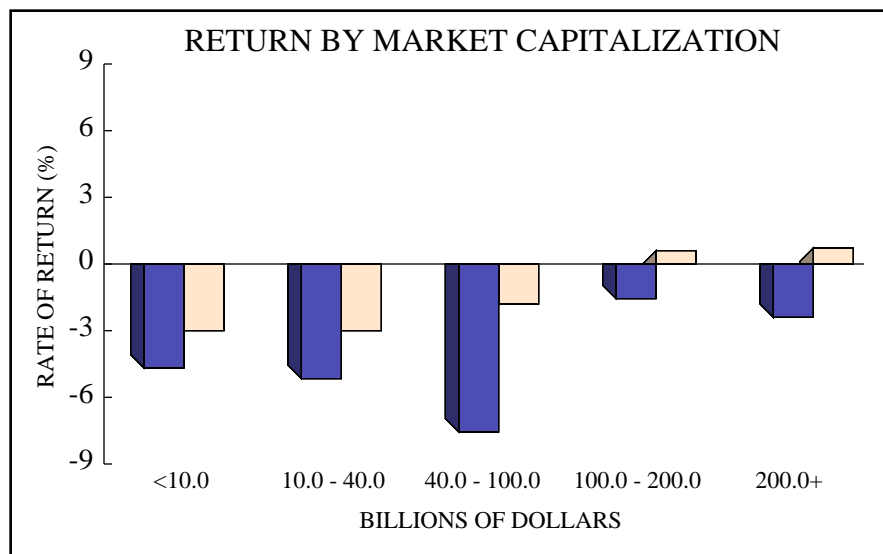
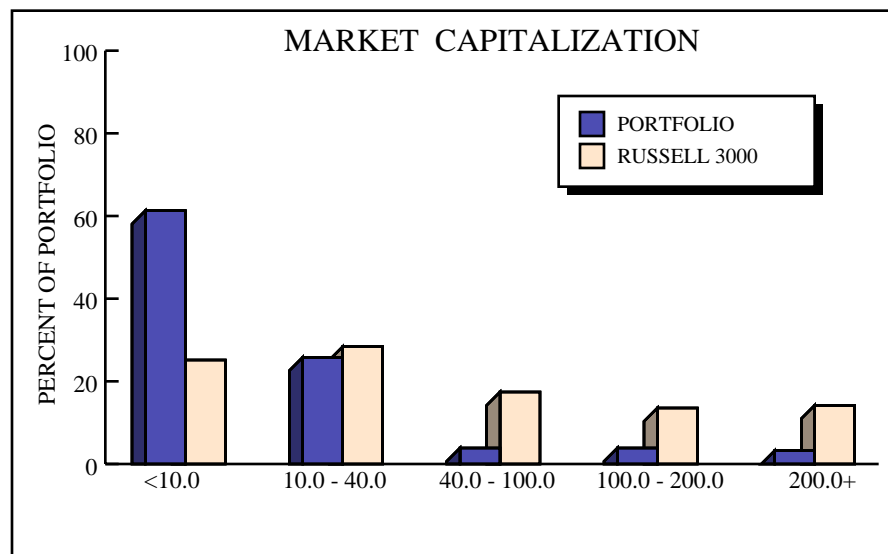
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 3000



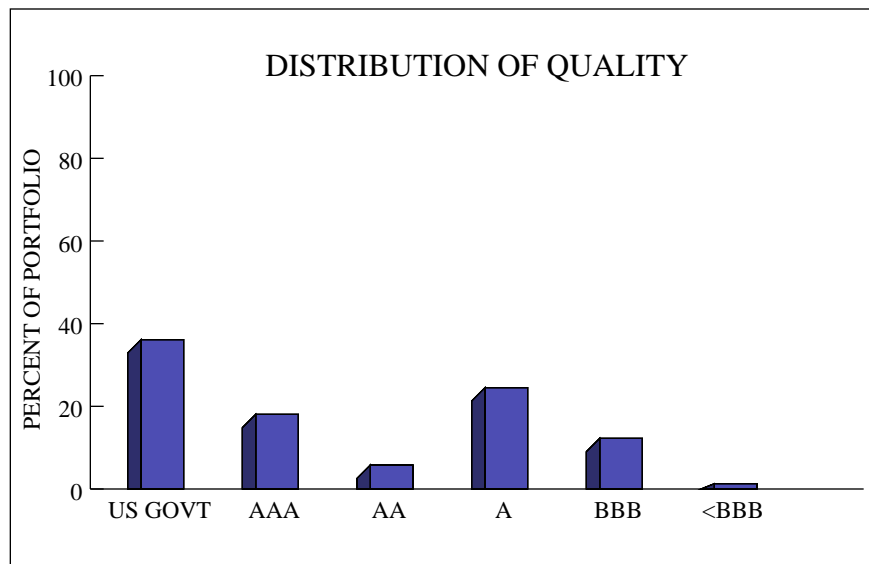
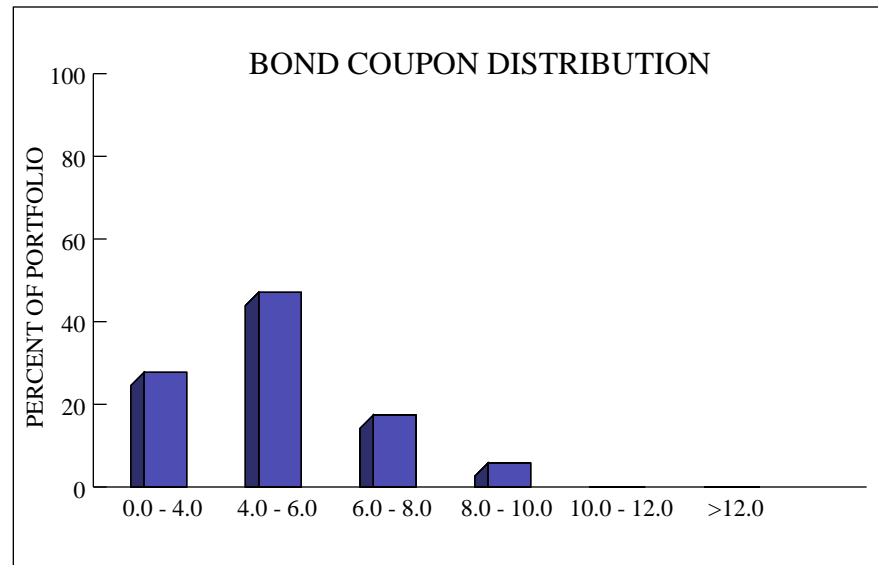
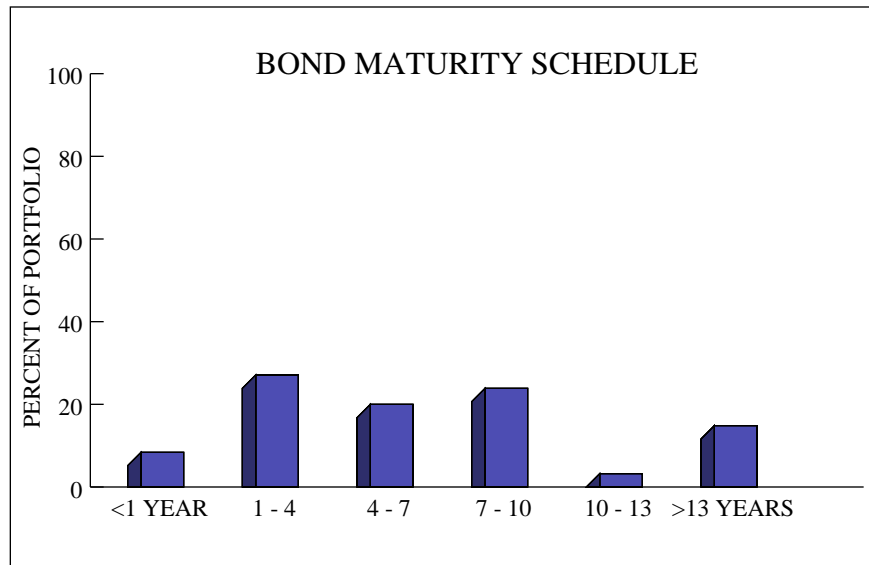
TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 450,264	2.10%	-2.6%	Computer Tech	\$ 546.1 B
2	LUMBER LIQUIDATORS HOLDINGS	432,174	2.01%	34.6%	Consumer Service	0.9 B
3	COSTAR GROUP INC	360,528	1.68%	17.6%	Service	2.1 B
4	WRIGHT EXPRESS CORP	340,077	1.59%	-4.7%	Service	2.4 B
5	HEALTHSOUTH CORP	331,641	1.55%	13.6%	Consumer Service	2.2 B
6	L-3 COMMUNICATIONS HOLDINGS	323,646	1.51%	5.2%	Technology	7.2 B
7	LIFE TIME FITNESS INC	319,524	1.49%	-8.0%	Consumer Service	2.0 B
8	WABTEC CORP	308,920	1.44%	3.5%	Basic	3.8 B
9	MAXIMUS INC	308,430	1.44%	27.5%	Service	1.8 B
10	QUALCOMM INC	302,899	1.41%	-17.8%	Technology	95.5 B

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	145	7,921
Duration	6.78	5.07
YTM	4.02	1.98
Average Coupon	4.75	3.78
Avg Maturity / WAL	11.75	7.05
Average Quality	AAA-AA	USG-AAA

APPENDIX - MAJOR MARKET INDEX RETURNS

Domestic Equity	Style	QTR	YTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	-3.1	9.3	3.8	16.7	0.4
S&P 500	Large Cap Core	-2.8	9.5	5.5	16.4	0.2
Russell 1000	Large Cap Core	-3.1	9.4	4.4	16.6	0.4
Russell 1000 Growth	Large Cap Growth	-4.0	10.1	5.8	17.5	2.9
Russell 1000 Value	Large Cap Value	-2.2	8.7	3.0	15.8	-2.2
Russell Mid Cap	Midcap	-4.4	8.0	-1.7	19.4	1.1
Russell Mid Cap Growth	Midcap Growth	-5.6	8.1	-3.0	19.0	1.9
Russell Mid Cap Value	Midcap Value	-3.3	7.8	-0.4	19.9	-0.1
Russell 2000	Small Cap	-3.5	8.5	-2.1	17.8	0.5
Russell 2000 Growth	Small Cap Growth	-3.9	8.8	-2.7	18.1	2.0
Russell 2000 Value	Small Cap Value	-3.0	8.2	-1.4	17.4	-1.1
International Equity	Style	QTR	YTD	1 Year	3 years	5 Years
MSCI EAFE	Developed Markets Equity	-6.8	3.4	-13.4	6.4	-5.6
MSCI EAFE Growth	Developed Markets Growth	-7.1	4.2	-12.2	8.0	-4.3
MSCI EAFE Value	Developed Markets Value	-6.7	2.5	-14.6	4.9	-7.1
MSCI All Country World Ex US	Foreign Equity	-7.4	3.1	-14.2	7.4	-4.2
MSCI Emerging Markets	Emerging Markets Equity	-8.8	4.1	-15.7	10.1	0.2
Domestic Fixed Income	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Aggregate Index	Core Fixed Income	2.1	2.4	7.5	6.9	6.8
Barclays Gov/Credit	Gov/Credit	2.6	2.7	8.8	7.3	6.9
Barclays Capital Gov't Bond	Treasuries	2.6	1.5	8.3	5.6	6.6
Barclays Capital Credit Bond	Corporate Bonds	2.5	4.6	9.7	10.3	8.0
Intermediate Aggregate	Core Intermediate	1.3	2.0	5.3	6.0	6.2
Intermediate Gov/Credit	Gov / Credit Intermediate	1.5	2.1	5.4	5.8	6.0
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.2	0.1	0.8	1.6	3.3
CSFB High Yield	High Yield Bonds	1.6	6.7	7.3	16.0	7.7
Alternative Assets	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Global Ex-US	International Treasuries	-0.4	0.8	-0.3	2.6	5.5
NCREIF NFI-ODCE Index	Real Estate	2.5	5.4	12.4	8.4	-0.9
HFRI FOF Composite	Hedge Funds	-2.3	1.0	-4.5	1.6	-1.9
DJCS Tremont Hedge Fund Index	Hedge Funds	-2.3	0.4	-6.0	4.6	0.5

APPENDIX - DISCLOSURES

- * The Policy index is a policy-weighted passive index and was constructed as follows:
40% Russell 3000 Index / 25% Barclays Aggregate Index / 15% EAFE Index / 10% NCREIF NFI-ODCE/ 2.5% NCREIF Timber / 7.5% S&P 500
- * The Custom Equity index was constructed as follows:
44.5% Russell 2000 index / 33.3% S&P 500 index / 22.2% S&P 400 index
- * The Custom PRIT Core Policy Index is a policy-weighted passive index and was constructed as follows:
26.0% Russell 3000 20.0% MSCI EAFE 5.0% MSCI Emerging Markets
15.0% Barclays Aggregate 5.0% CSFB Hi Yield 10.0% Cambridge Private Equity
10.0% NCREIF NFI-ODCE 4.0% NCREIF Timber 5.0% HFRI Fund of Funds Composite
- * Performance for the Cambridge Private Equity Index is unavailable for the current quarter, a flat return of 0% is assumed.
- * Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- * All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- * All returns for periods greater than one year are annualized.
- * All values are in US dollars.

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT CORE FUND
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$48,173,258, a decrease of \$1,937,922 from the March ending value of \$50,111,180. Last quarter, the account recorded total net withdrawals of \$986,972 in addition to \$950,950 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$499,219 and realized and unrealized capital losses totaling \$1,450,169.

Since December 2006, the account has recorded net withdrawals totaling \$411,785 while posting net investment gains totaling \$6.0 million. Since December 2006, if the account had earned a compounded nominal rate of 8.0% it would have been valued at \$65.3 million or \$17.1 million more than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used was the Cambridge Private Equity Index, which had to assume a flat return for the quarter due to the unavailability of its data.

For the second quarter, the PRIT Core Fund returned -1.5%, which was 0.6% above the Custom Core Index's return of -2.1%. Over the trailing year, the portfolio returned -0.1%, which was 0.7% below the benchmark's 0.6% return. Since December 2006, the portfolio returned 2.1% on an annualized basis, while the Custom Core Index returned an annualized 2.8% over the same period.

ASSET ALLOCATION

This portfolio was fully invested in the PRIT Core Fund at the end of the quarter.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	-1.5	5.8	-0.1	11.4	2.1
Total Net/Fees	-1.6	5.5	-0.6	10.8	1.6
CUSTOM CORE IDX	-2.1	5.3	0.6	10.9	2.8
PRIT Core	-1.5	5.8	-0.1	11.4	2.1
CUSTOM CORE IDX	-2.1	5.3	0.6	10.9	2.8

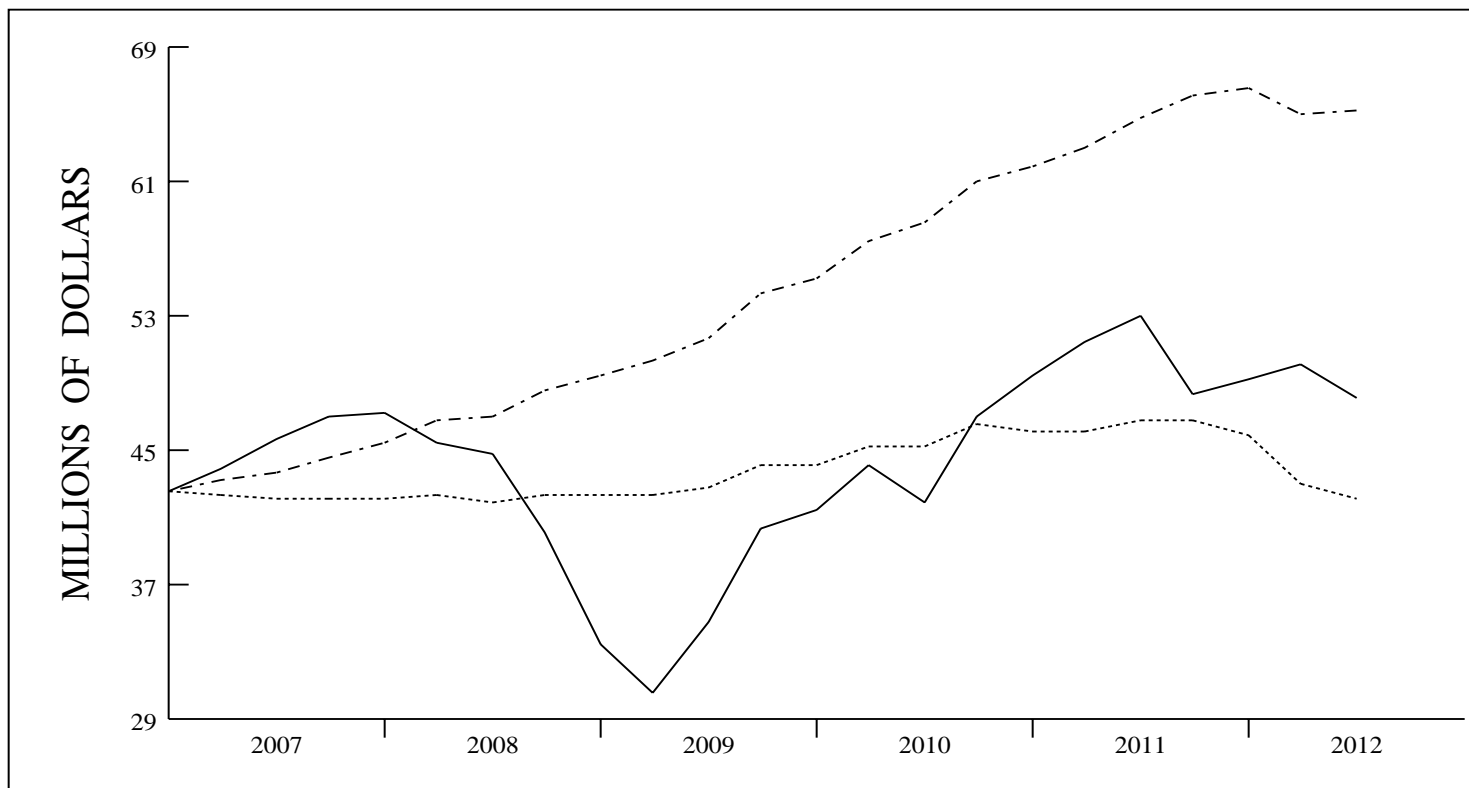
ASSET ALLOCATION

PRIT Core	100.0%	\$ 48,173,258
Total Portfolio	100.0%	\$ 48,173,258

INVESTMENT RETURN

Market Value 3/2012	\$ 50,111,180
Contribs / Withdrawals	-986,972
Income	499,219
Capital Gains / Losses	- 1,450,169
Market Value 6/2012	\$ 48,173,258

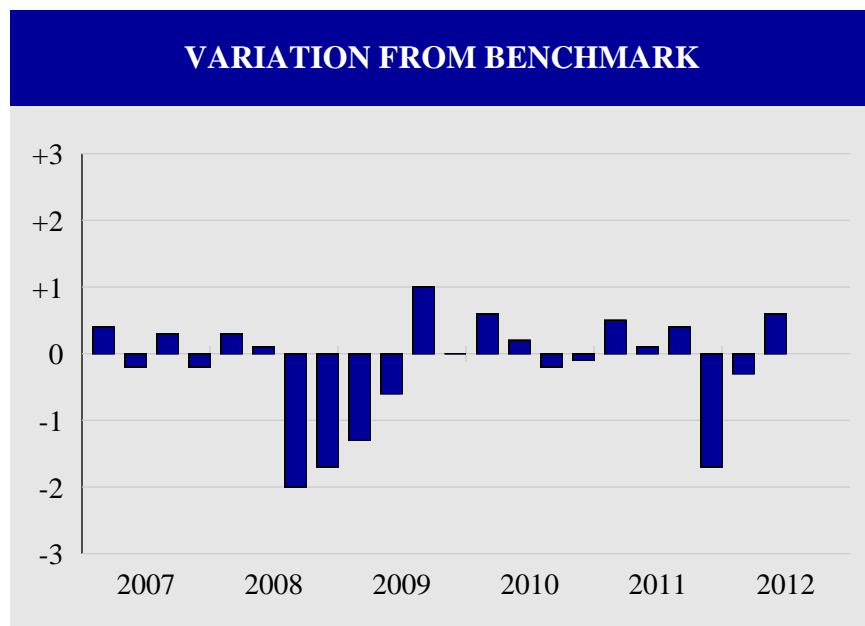
INVESTMENT GROWTH



— ACTUAL RETURN
 - - - 8.0%
 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 65,268,340

	LAST QUARTER	PERIOD 12/06 - 6/12
BEGINNING VALUE	\$ 50,111,180	\$ 42,558,456
NET CONTRIBUTIONS	-986,972	-411,785
<u>INVESTMENT RETURN</u>	<u>-950,950</u>	<u>6,026,587</u>
ENDING VALUE	\$ 48,173,258	\$ 48,173,258
INCOME	499,219	7,687,565
<u>CAPITAL GAINS (LOSSES)</u>	<u>-1,450,169</u>	<u>-1,660,978</u>
INVESTMENT RETURN	-950,950	6,026,587

PRIT CORE QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**

Total Quarters Observed	22
Quarters At or Above the Benchmark	12
Quarters Below the Benchmark	10
Batting Average	.545

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.5	1.0
12/09	2.9	2.9	0.0
3/10	3.5	2.9	0.6
6/10	-5.0	-5.2	0.2
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.8	0.5
6/11	1.7	1.6	0.1
9/11	-9.0	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6

FRANKLIN REGIONAL RETIREMENT SYSTEM
POLEN CAPITAL MANAGEMENT
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$4,898,237, a decrease of \$374,917 from the March ending value of \$5,273,154. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$374,917. Net investment loss was composed of income receipts totaling \$13,068 and \$387,985 in net realized and unrealized capital losses.

RELATIVE PERFORMANCE

For the second quarter, the Polen Capital Management portfolio lost 7.1%, which was 3.1% below the Russell 1000 Growth Index's return of -4.0% and ranked in the 87th percentile of the Large Cap Growth universe.

ASSET ALLOCATION

At the end of the second quarter, domestic equities comprised 94.8% of the total portfolio (\$4.6 million), while cash & equivalents comprised the remaining 5.2% (\$253,766).

ANALYSIS

Last quarter, the Polen portfolio was heavily concentrated in the Computer Technology sector, and to a lesser degree, the Technology sector. The combined weight of these two sectors comprised roughly 60% of the portfolio. Relative to the Russell 1000 Growth index, the Non Durable Goods and Consumer Service sectors were underweight, while the Finance and Service sectors had allocations similar to those within the index. The Basic, Durable Consumer Goods, Transportation, Energy, and Utilities sectors were vacant.

The portfolio's focus on Technology and Computer Technology did not pay off last quarter, as these were among the weaker sectors in the Large Cap Growth market. Moreover, all six invested sectors underperformed relative to their index counterparts.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
Total Gross/Fees	-7.1	----	----	----	-7.1
<i>LARGE CAP GROWTH RANK</i>	(87)	----	----	----	(87)
Total Net/Fees	-7.2	----	----	----	-7.2
RUSSELL 1000G	-4.0	10.1	5.8	17.5	-4.0
Domestic Equity	-7.6	----	----	----	-7.6
<i>LARGE CAP GROWTH RANK</i>	(92)	----	----	----	(92)
RUSSELL 1000G	-4.0	10.1	5.8	17.5	-4.0

* Annualized Return

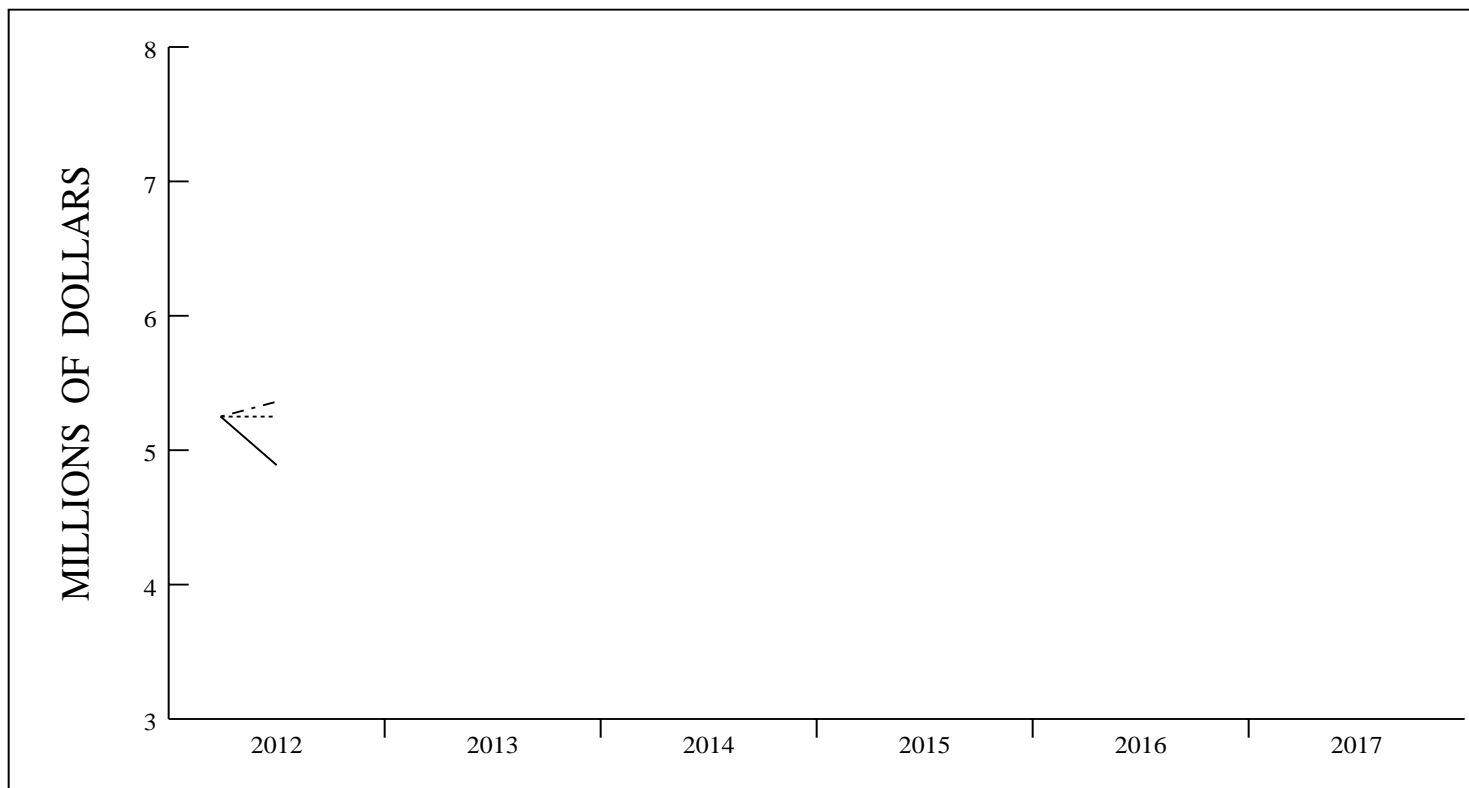
ASSET ALLOCATION

Domestic Equity	94.8%	\$ 4,644,470
Cash	5.2%	253,766
Total Portfolio	100.0%	\$ 4,898,237

INVESTMENT RETURN

Market Value 3/2012	\$ 5,273,154
Contribs / Withdrawals	0
Income	13,068
Capital Gains / Losses	-387,985
Market Value 6/2012	\$ 4,898,237

INVESTMENT GROWTH

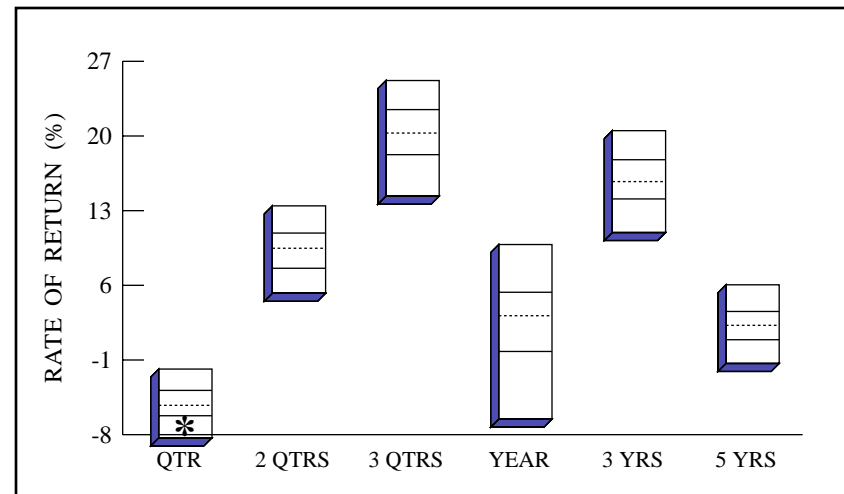
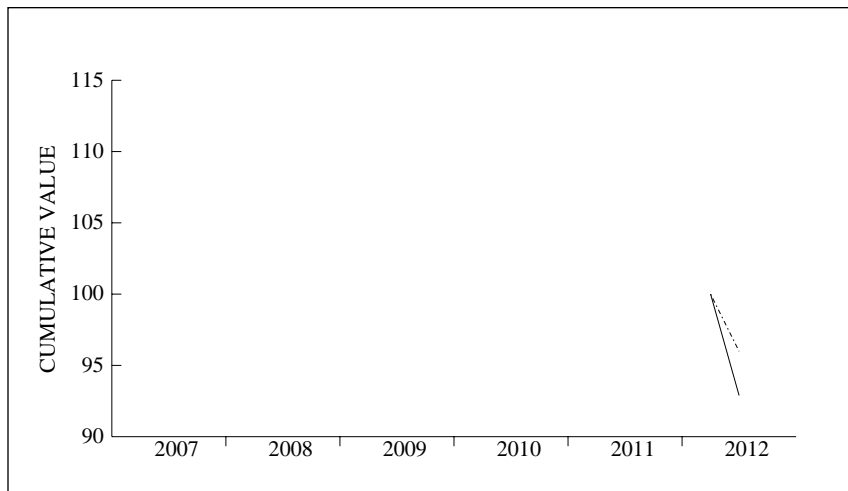


—	ACTUAL RETURN
- - - - -	8.0%
.....	0.0%

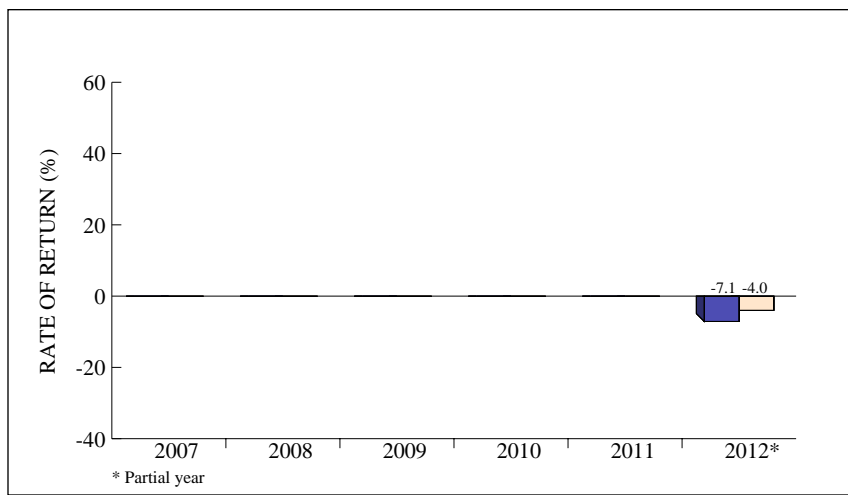
VALUE ASSUMING 8.0% RETURN
\$ 5,375,594

	LAST QUARTER	PERIOD 3/12 - 6/12
BEGINNING VALUE	\$ 5,273,154	\$ 5,273,154
NET CONTRIBUTIONS	0	0
INVESTMENT RETURN	-374,917	-374,917
ENDING VALUE	\$ 4,898,237	\$ 4,898,237
INCOME	13,068	13,068
CAPITAL GAINS (LOSSES)	-387,985	-387,985
INVESTMENT RETURN	-374,917	-374,917

TOTAL RETURN COMPARISONS



Large Cap Growth Universe

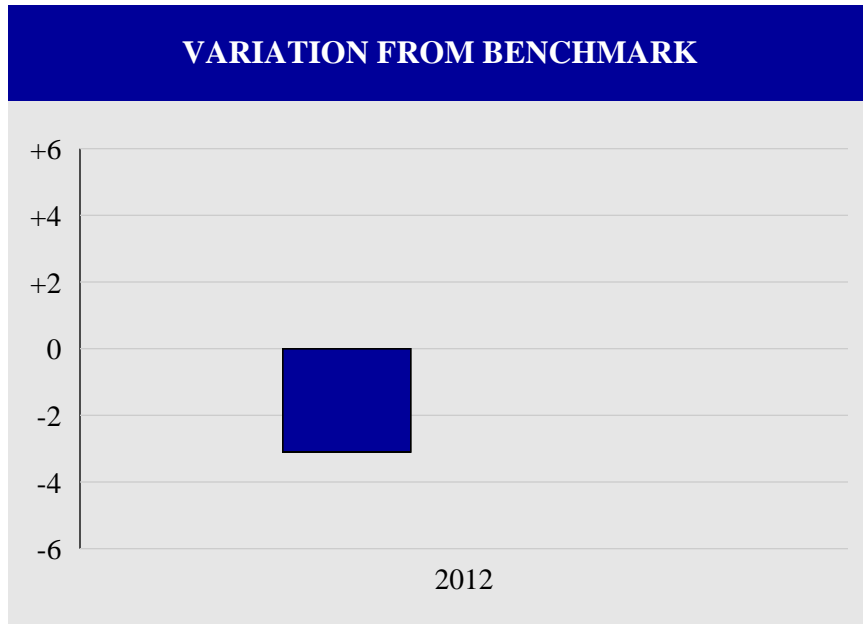


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	<u>-----ANNUALIZED-----</u> <u>3 YRS</u>	<u>5 YRS</u>
RETURN	-7.1	---	---	---	---	---
(RANK)	(87)	---	---	---	---	---
5TH %ILE	-1.9	13.4	25.2	9.8	20.5	6.1
25TH %ILE	-3.9	10.9	22.5	5.4	17.8	3.6
MEDIAN	-5.3	9.5	20.3	3.2	15.7	2.3
75TH %ILE	-6.2	7.6	18.2	-0.2	14.1	0.9
95TH %ILE	-8.3	5.2	14.4	-6.6	11.0	-1.3
Russ 1000G	-4.0	10.1	21.8	5.8	17.5	2.9

Large Cap Growth Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

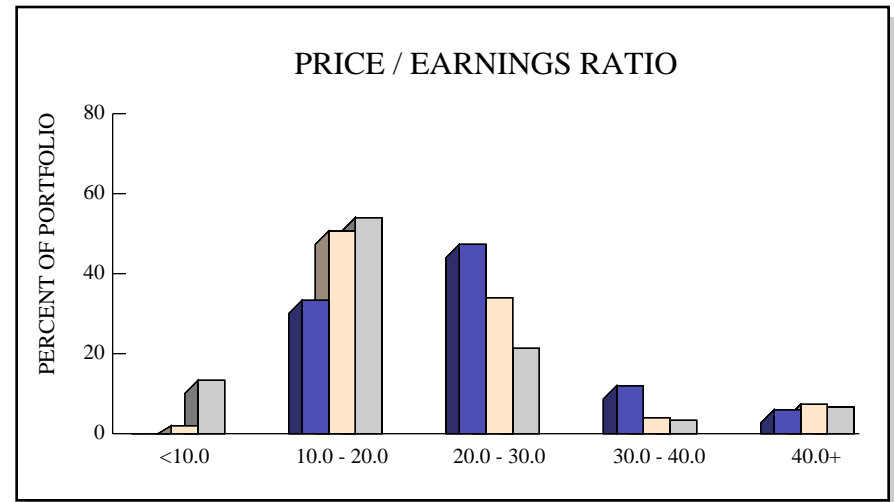
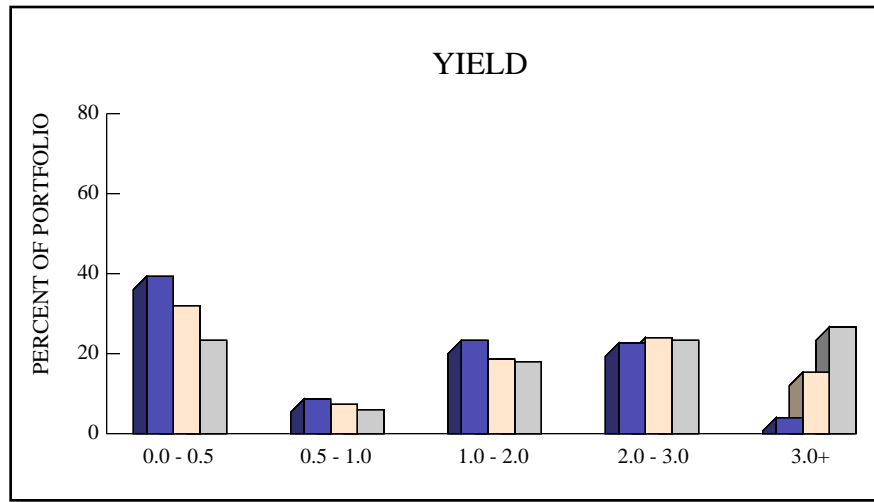
COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH



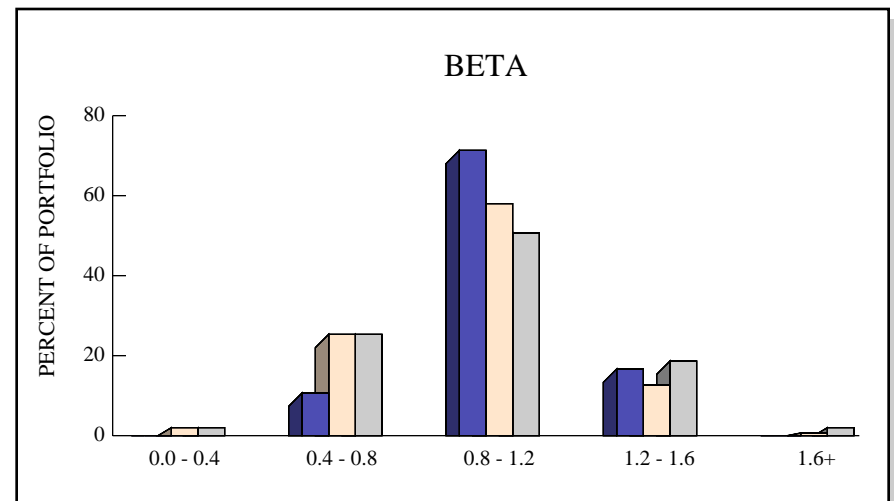
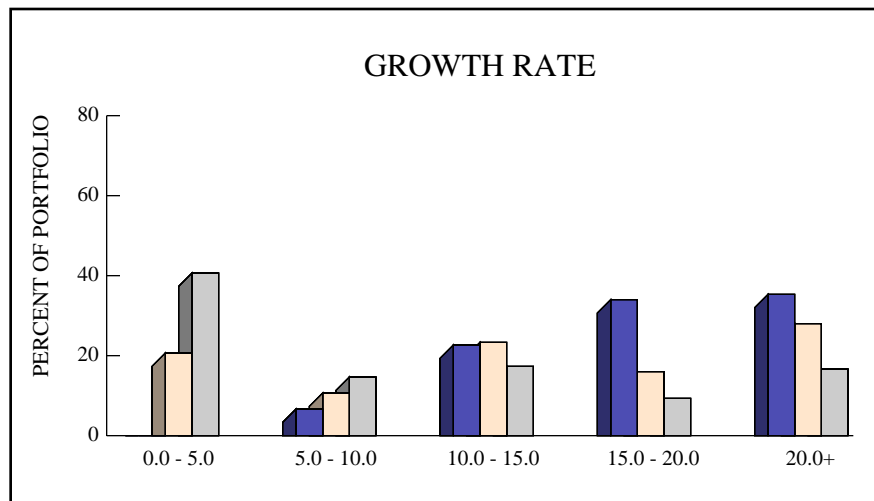
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1

Total Quarters Observed	1
Quarters At or Above the Benchmark	0
Quarters Below the Benchmark	1
Batting Average	.000

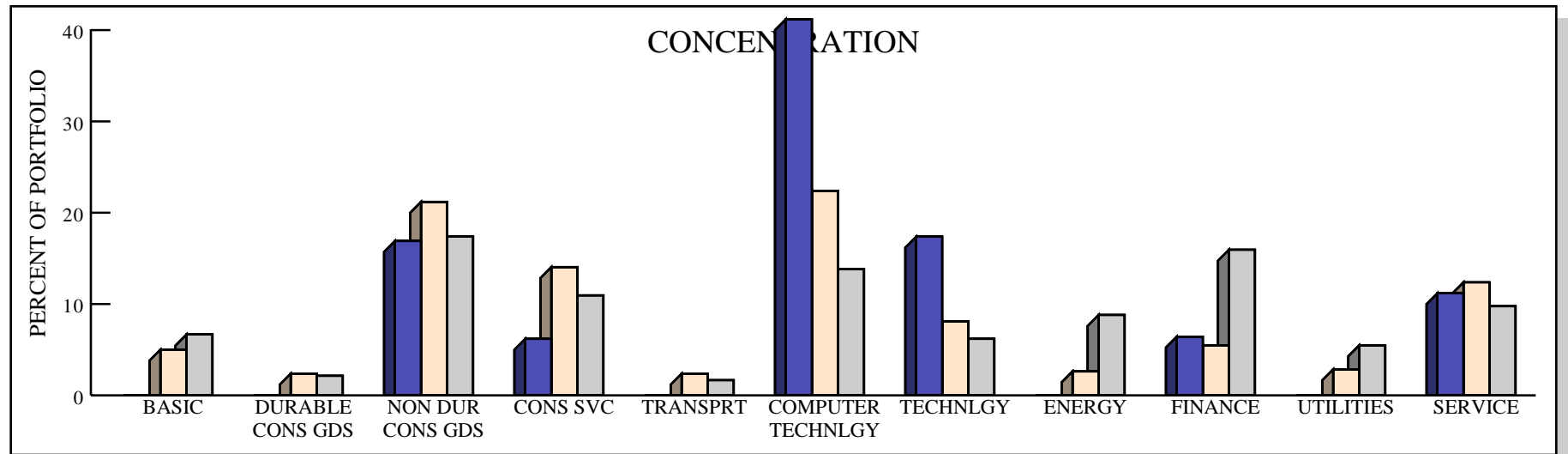
STOCK CHARACTERISTICS



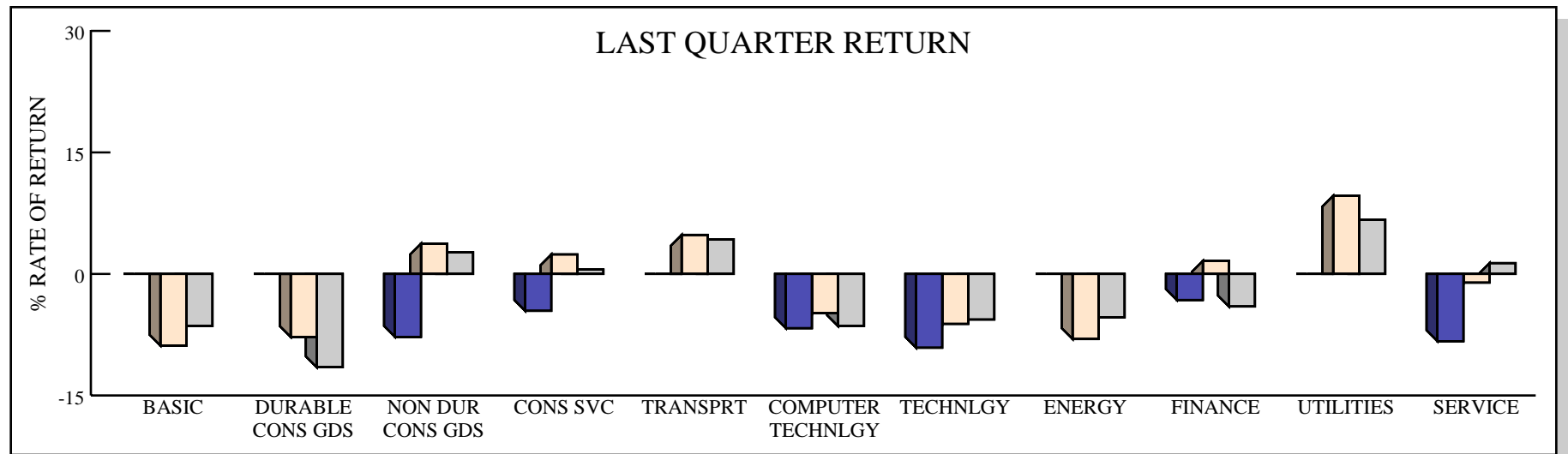
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.1%	23.7%	22.8	1.02
RUSSELL 1000G	1.6%	17.1%	21.0	0.95
RUSSELL 1000	2.0%	9.4%	18.3	0.98



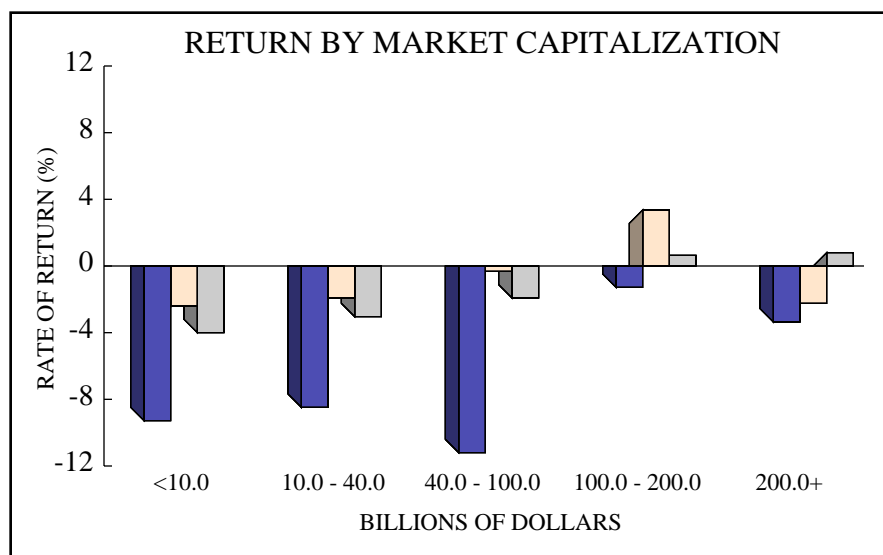
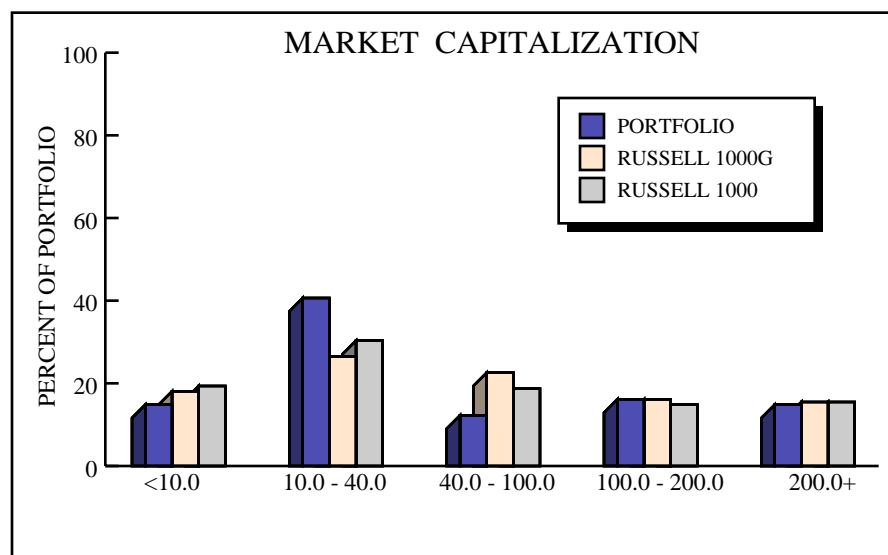
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 1000 GROWTH ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 450,264	9.69%	-2.6%	Computer Tech	\$ 546.1 B
2	QUALCOMM INC	302,899	6.52%	-17.8%	Technology	95.5 B
3	T ROWE PRICE GROUP INC	299,060	6.44%	-3.1%	Finance	16.1 B
4	INTUITIVE SURGICAL INC	299,047	6.44%	2.2%	Technology	22.0 B
5	STARBUCKS CORP	295,926	6.37%	-4.3%	Consumer Service	40.4 B
6	COGNIZANT TECH SOLUTIONS-A	293,520	6.32%	-22.0%	Computer Tech	18.3 B
7	ALLERGAN INC	291,595	6.28%	-2.9%	NonDur Cons Goods	28.5 B
8	GOOGLE INC-CL A	284,234	6.12%	-9.5%	Computer Tech	150.8 B
9	ACCENTURE PLC-CL A	267,401	5.76%	-6.3%	Service	38.7 B
10	ORACLE CORP	261,657	5.63%	2.1%	Computer Tech	145.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
O'SHAUGHNESSY ASSET MANAGEMENT
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$4,954,662, a decrease of \$148,450 from the March ending value of \$5,103,112. Last quarter, the account recorded total net withdrawals of \$115 in addition to \$148,335 in net investment losses. The fund's net investment loss was a result of income receipts totaling \$55,147 and realized and unrealized capital losses totaling \$203,482.

RELATIVE PERFORMANCE

Total Fund

For the second quarter, the O'Shaughnessy Asset Management portfolio lost 2.9%, which was 0.7% below the Russell 1000 Value Index's return of -2.2% and ranked in the 31st percentile of the Large Cap Value universe.

ASSET ALLOCATION

At the end of the second quarter, domestic equities comprised 98.3% of the total portfolio (\$4.9 million), while cash & equivalents comprised the remaining 1.7% (\$82,339).

STOCK ANALYSIS

At the end of the quarter, the portfolio was diversified across ten of the eleven industry sectors in our analysis. Relative to the Russell 1000 Value, the portfolio maintained notably higher concentrations in the Consumer Service, Technology, and Service sectors. In contrast, the portfolio's Basic, Energy, Finance and Utilities sectors were the most notably under-weighted. The Durable Consumer Goods sector was vacant of holdings.

The portfolio struggled with stock selection during the second quarter – it fell behind the benchmark in three of the ten utilized sectors. Steep losses were recorded in Consumer Service, while Utilities recorded a decline in contrast to the respective sector-gain for the index. The strong returns from the Transportation sector provided some relief, unfortunately it was not enough to overcome the losses seen elsewhere in the portfolio.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
Total Gross/Fees	-2.9	----	----	----	-2.9
<i>LARGE CAP VALUE RANK</i>	(31)	----	----	----	(31)
Total Net/Fees	-3.0	----	----	----	-3.0
RUSSELL 1000V	-2.2	8.7	3.0	15.8	-2.2
Domestic Equity	-2.9	----	----	----	-2.9
<i>LARGE CAP VALUE RANK</i>	(31)	----	----	----	(31)
RUSSELL 1000V	-2.2	8.7	3.0	15.8	-2.2

* Annualized Return

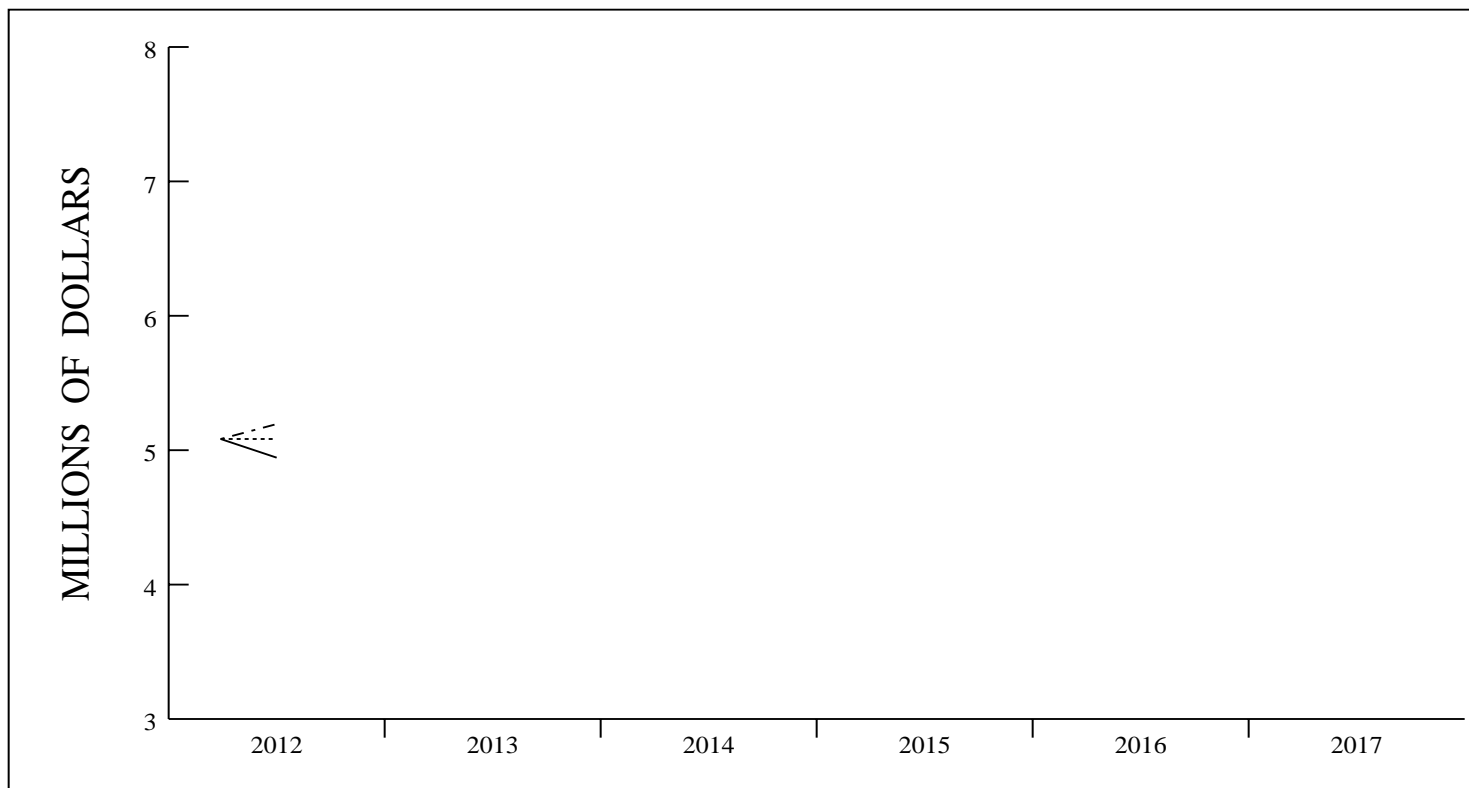
ASSET ALLOCATION

Domestic Equity	98.3%	\$ 4,872,322
Cash	1.7%	82,339
Total Portfolio	100.0%	\$ 4,954,662

INVESTMENT RETURN

Market Value 3/2012	\$ 5,103,112
Contribs / Withdrawals	-115
Income	55,147
Capital Gains / Losses	-203,482
Market Value 6/2012	\$ 4,954,662

INVESTMENT GROWTH

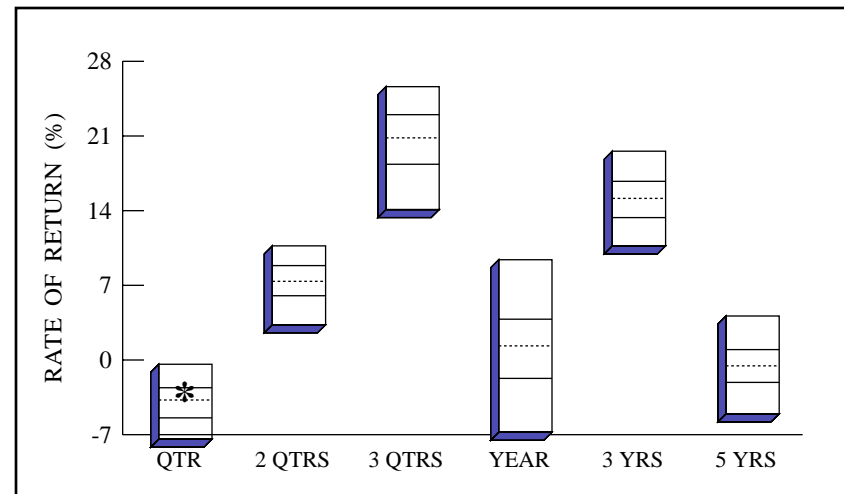
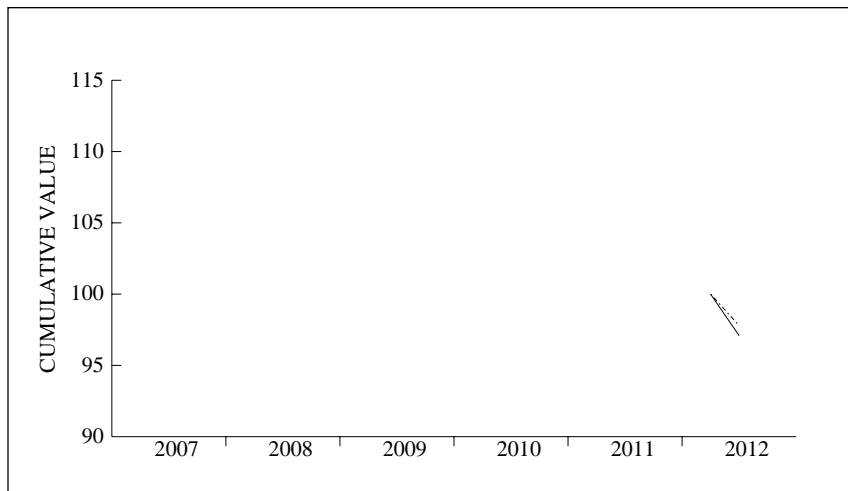


——	ACTUAL RETURN
-----	8.0%
.....	0.0%

VALUE ASSUMING 8.0% RETURN
\$ 5,202,133

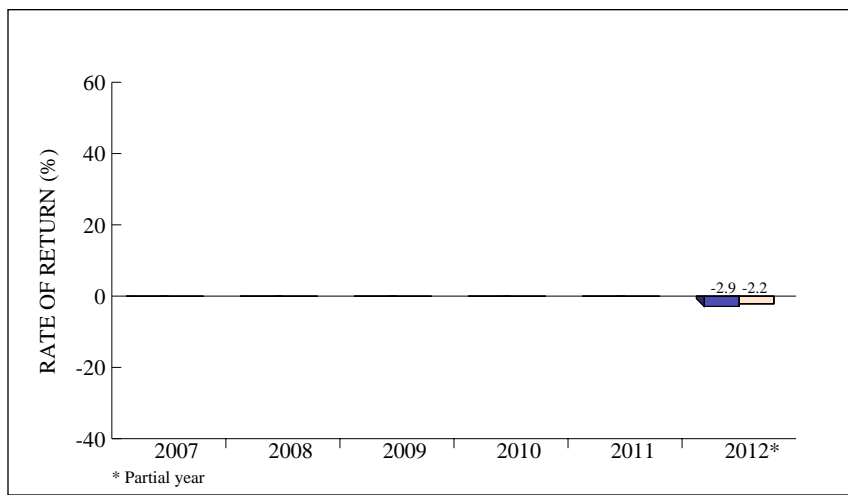
	LAST QUARTER	PERIOD 3/12 - 6/12
BEGINNING VALUE	\$ 5,103,112	\$ 5,103,112
NET CONTRIBUTIONS	-115	-115
<u>INVESTMENT RETURN</u>	<u>-148,335</u>	<u>-148,335</u>
ENDING VALUE	\$ 4,954,662	\$ 4,954,662
INCOME	55,147	55,147
<u>CAPITAL GAINS (LOSSES)</u>	<u>-203,482</u>	<u>-203,482</u>
INVESTMENT RETURN	-148,335	-148,335

TOTAL RETURN COMPARISONS



Large Cap Value Universe

	—	PORTFOLIO
	- - - -	RUSSELL 1000V

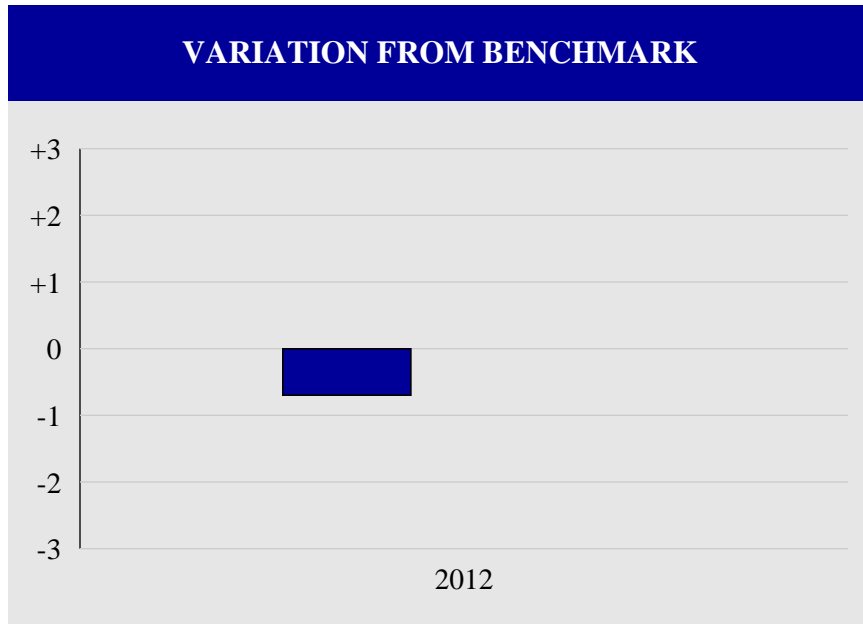


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	-2.9	---	---	---	---	---
(RANK)	(31)	---	---	---	---	---
5TH %ILE	-0.4	10.7	25.6	9.4	19.6	4.1
25TH %ILE	-2.6	8.8	23.0	3.8	16.8	1.0
MEDIAN	-3.8	7.4	20.8	1.3	15.2	-0.6
75TH %ILE	-5.4	6.0	18.3	-1.7	13.4	-2.1
95TH %ILE	-7.4	3.3	14.1	-6.8	10.7	-5.0
Russ 1000V	-2.2	8.7	22.9	3.0	15.8	-2.2

Large Cap Value Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

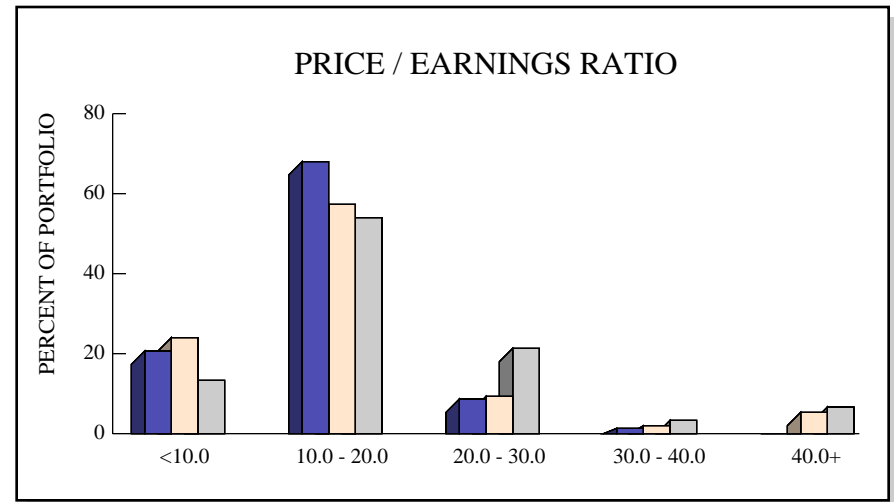
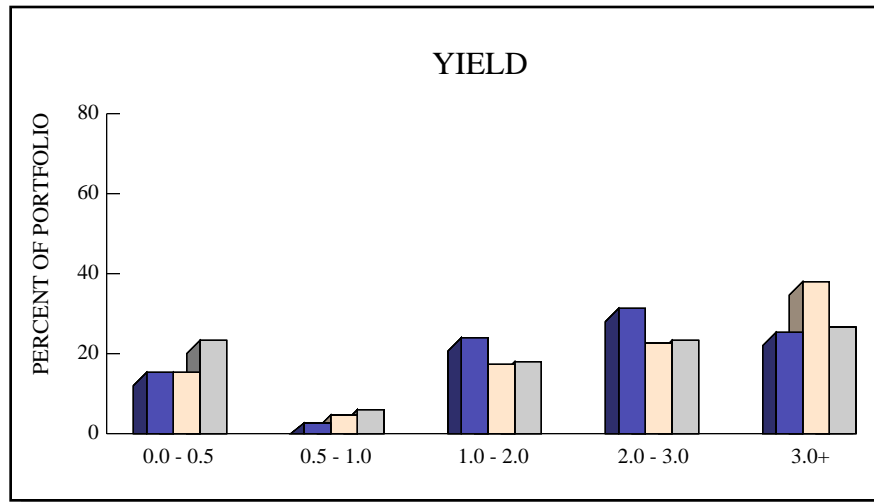
COMPARATIVE BENCHMARK: RUSSELL 1000 VALUE



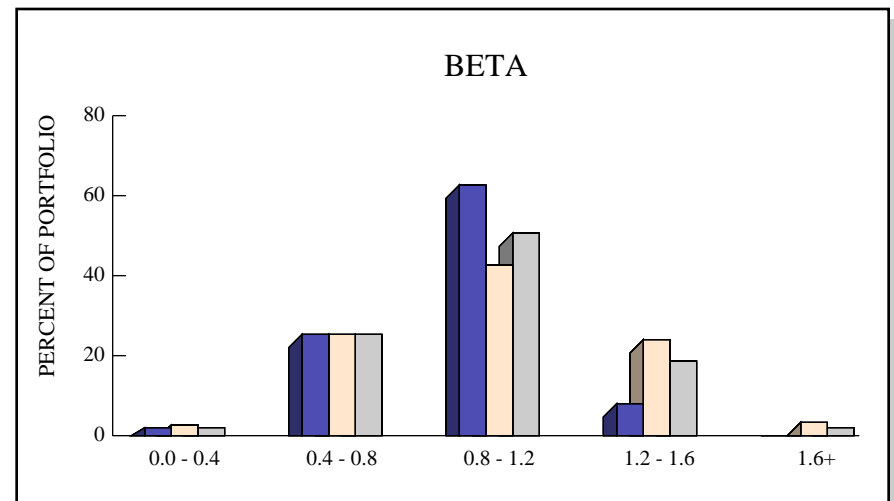
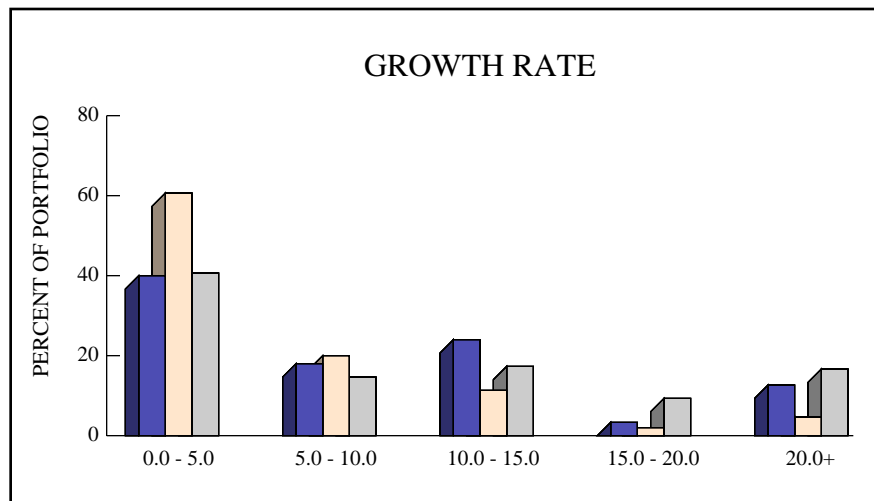
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7

Total Quarters Observed	1
Quarters At or Above the Benchmark	0
Quarters Below the Benchmark	1
Batting Average	.000

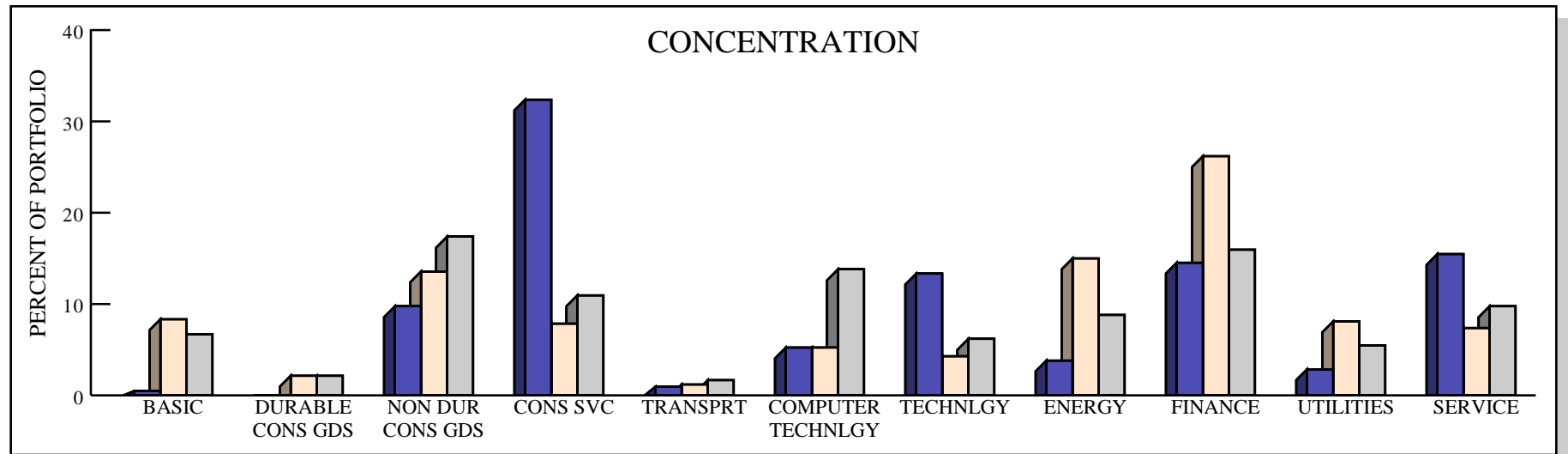
STOCK CHARACTERISTICS



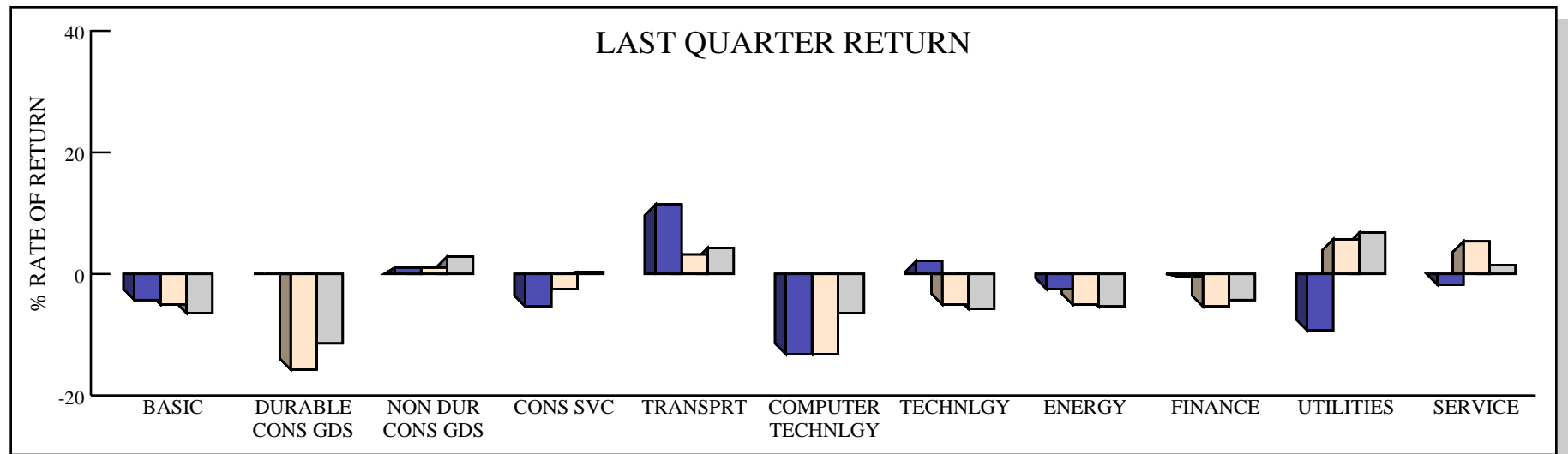
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	2.2%	5.8%	13.6	0.91
RUSSELL 1000V	2.4%	1.4%	15.6	1.01
RUSSELL 1000	2.0%	9.4%	18.3	0.98



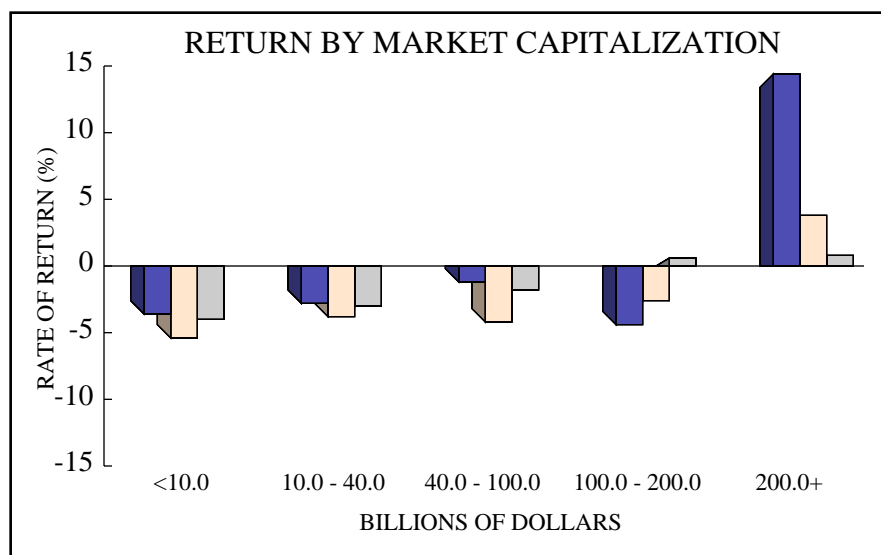
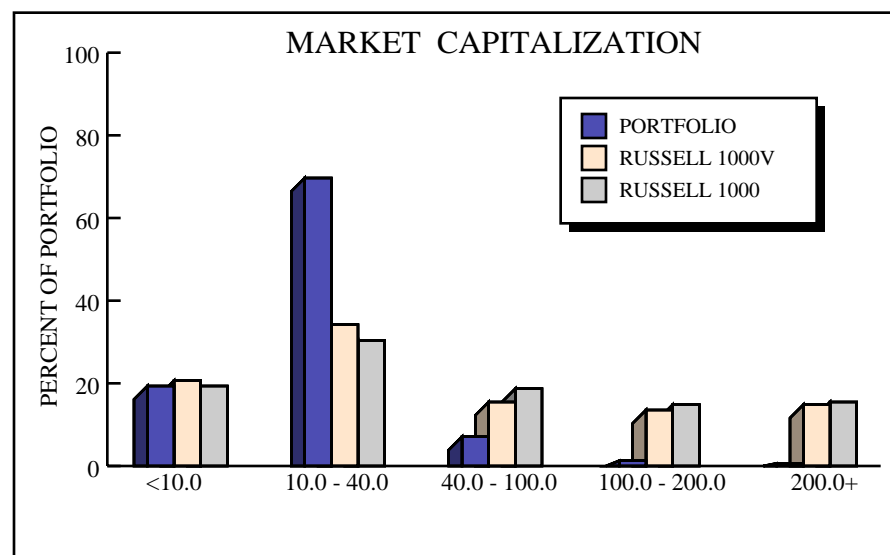
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO
 ■ RUSSELL 1000 VALUE
 ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GAP INC/THE	\$ 229,851	4.72%	5.1%	Consumer Service	\$ 13.4 B
2	LOCKHEED MARTIN CORP	202,635	4.16%	-2.1%	Technology	28.3 B
3	CHUBB CORP	200,109	4.11%	5.9%	Finance	19.7 B
4	DIRECTV-CLASS A	199,625	4.10%	-1.1%	Service	32.0 B
5	TRAVELERS COS INC/THE	197,457	4.05%	8.5%	Finance	24.8 B
6	LOWE'S COS INC	193,563	3.97%	-8.9%	Consumer Service	33.5 B
7	CONOCOPHILLIPS	177,307	3.64%	-2.4%	Energy	70.7 B
8	TIME WARNER CABLE	155,908	3.20%	1.4%	Service	25.7 B
9	KOHL'S CORP	151,891	3.12%	-8.5%	Consumer Service	10.9 B
10	L-3 COMMUNICATIONS HOLDINGS	146,392	3.00%	5.2%	Technology	7.2 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
SEIZERT CAPITAL PARTNERS
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$3,932,980, a decrease of \$371,633 from the March ending value of \$4,304,613. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$371,633. Net investment loss was composed of income receipts totaling \$13,005 and \$384,638 in net realized and unrealized capital losses.

For the cumulative period since June 2011, the account has recorded net withdrawals totaling \$533,000, compared to net investment losses of \$469,087. Since June 2011, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$4.8 million or \$851,793 more than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

During the second quarter, the Seizert Capital Partners portfolio lost 8.6%, which was 4.2% below the Russell Mid Cap's return of -4.4% and ranked in the 89th percentile of the Mid Cap universe. Since June 2011, the account returned -10.4% and ranked in the 90th percentile. For comparison, the Russell Mid Cap returned -1.7% over the same period.

ASSET ALLOCATION

At the end of the second quarter, domestic equities comprised 95.8% of the total portfolio (\$3.8 million), while cash & equivalents totaled 4.2% (\$164,425).

ANALYSIS

At the end of the quarter, the Seizert portfolio was invested in ten of the eleven industry sectors in our analysis. Relative to the Russell Mid Cap, the portfolio placed much greater emphasis into the Computer Technology, Energy, Finance, and Service sectors. In contrast, the portfolio's weightings in the Basic, Consumer Service and Technology sectors were the most notably light, while the Utilities sector was vacant of holdings.

Sector performance throughout the portfolio lagged the benchmark during the quarter. Of the ten utilized sectors, seven sectors fell short of their respective index counterparts. The portfolio was able to find value in the Technology sector, but the lack of representation made this effect minimal. Overall, the Seizert portfolio fell short of the Russell Mid Cap by 420 basis points.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 6/2011
Total Gross/Fees	-8.6	3.0	-10.4	----	-10.4
<i>MID CAP RANK</i>	(89)	(95)	(90)	----	(90)
Total Net/Fees	-8.8	2.7	-11.0	----	-11.0
RUSSELL MID	-4.4	8.0	-1.7	19.4	-1.7
Domestic Equity	-9.0	3.2	-10.7	----	-10.7
<i>MID CAP RANK</i>	(90)	(95)	(92)	----	(92)
RUSSELL MID	-4.4	8.0	-1.7	19.4	-1.7

* Annualized Return

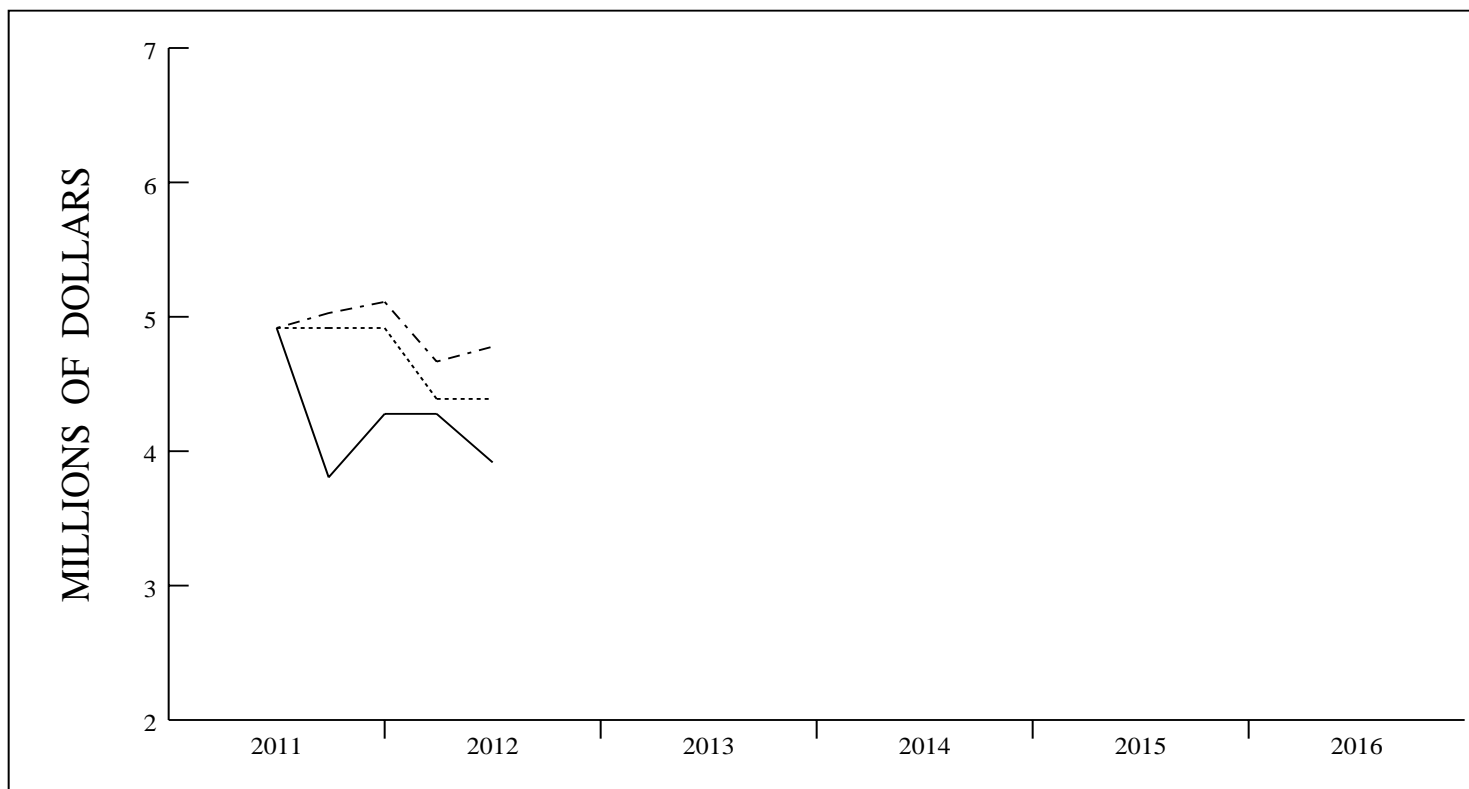
ASSET ALLOCATION

Domestic Equity	95.8%	\$ 3,768,555
Cash	4.2%	164,425
Total Portfolio	100.0%	\$ 3,932,980

INVESTMENT RETURN

Market Value 3/2012	\$ 4,304,613
Contribs / Withdrawals	0
Income	13,005
Capital Gains / Losses	-384,638
Market Value 6/2012	\$ 3,932,980

INVESTMENT GROWTH

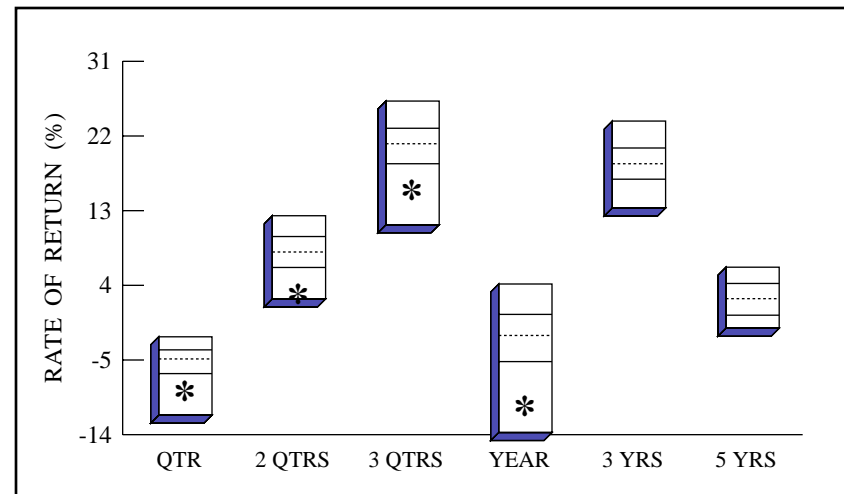
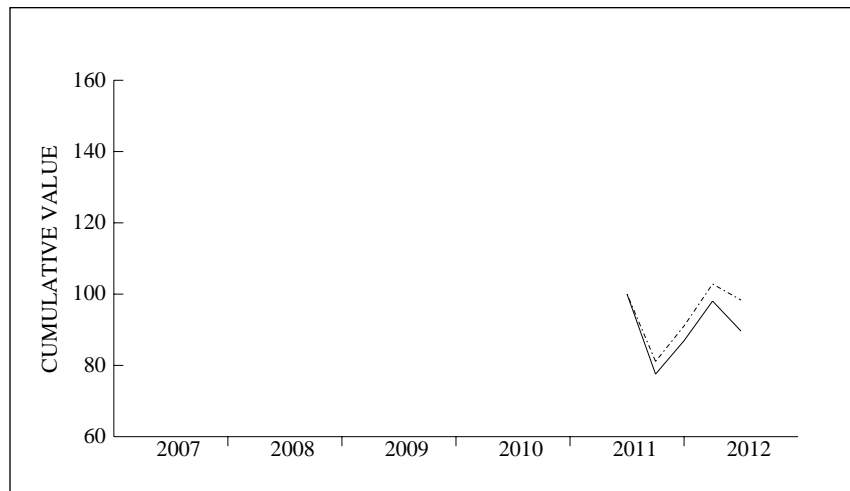


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

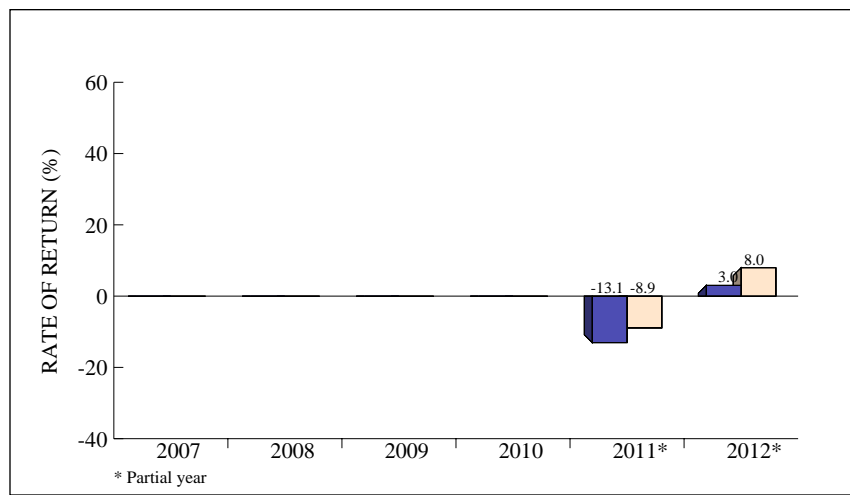
VALUE ASSUMING
 8.0% RETURN
 \$ 4,784,773

	LAST QUARTER	PERIOD 6/11 - 6/12
BEGINNING VALUE	\$ 4,304,613	\$ 4,935,067
NET CONTRIBUTIONS	0	-533,000
INVESTMENT RETURN	-371,633	-469,087
ENDING VALUE	\$ 3,932,980	\$ 3,932,980
INCOME	13,005	65,363
CAPITAL GAINS (LOSSES)	-384,638	-534,450
INVESTMENT RETURN	-371,633	-469,087

TOTAL RETURN COMPARISONS



Mid Cap Universe



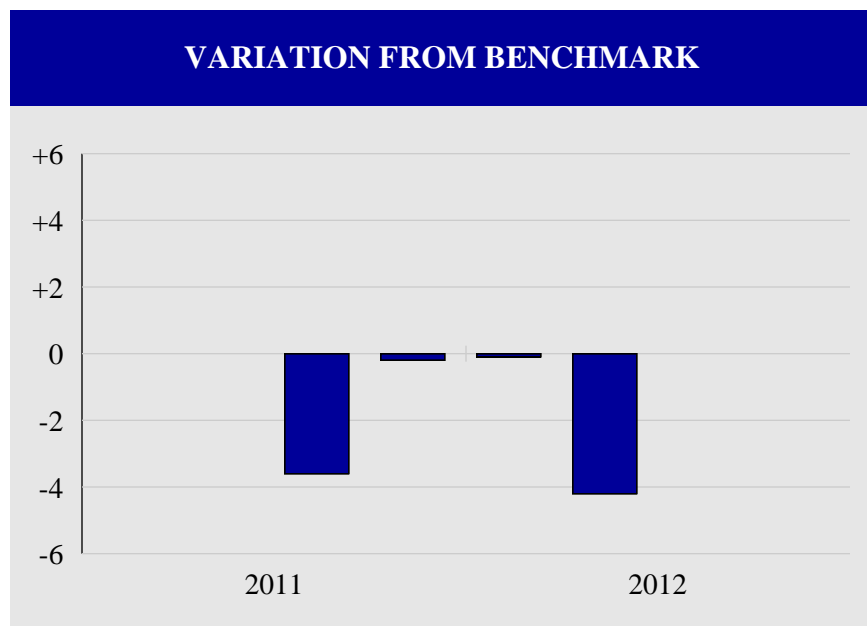
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-8.6	3.0	15.5	-10.4	----	----
(RANK)	(89)	(95)	(89)	(90)	----	----
5TH %ILE	-2.2	12.4	26.2	4.2	23.8	6.2
25TH %ILE	-3.8	9.9	22.9	0.5	20.6	4.2
MEDIAN	-4.9	8.0	21.1	-2.0	18.7	2.4
75TH %ILE	-6.7	6.2	18.7	-5.2	16.8	0.4
95TH %ILE	-11.7	2.4	11.3	-13.7	13.3	-1.2
Russ MC	-4.4	8.0	21.3	-1.7	19.4	1.1

Mid Cap Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

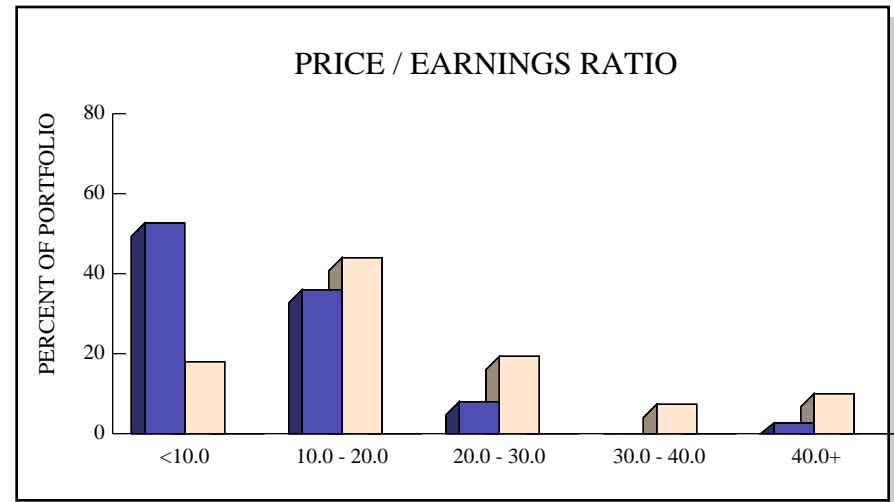
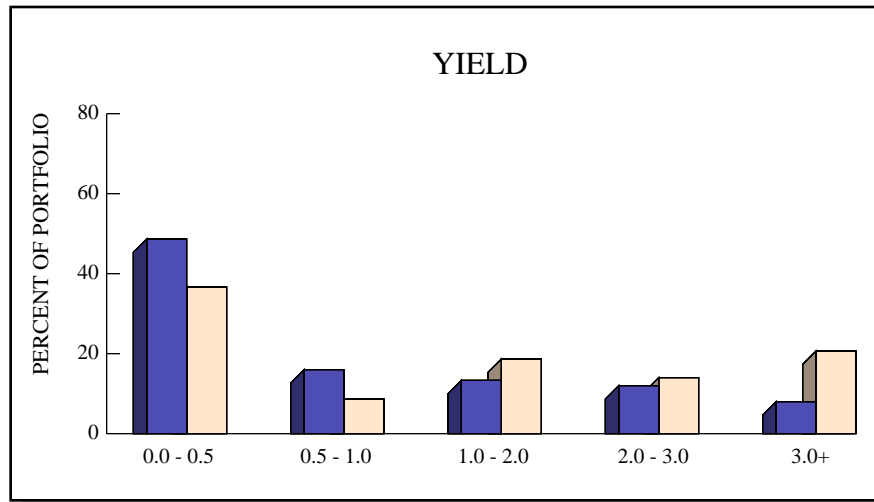
COMPARATIVE BENCHMARK: RUSSELL MID CAP



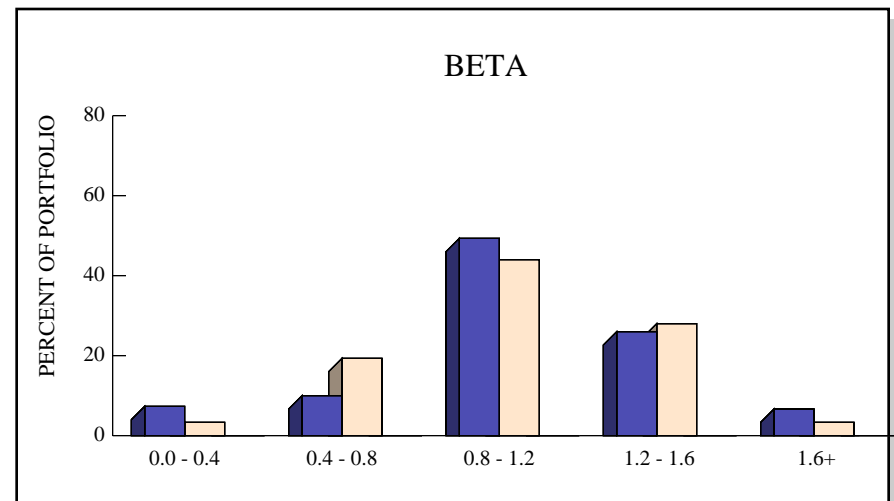
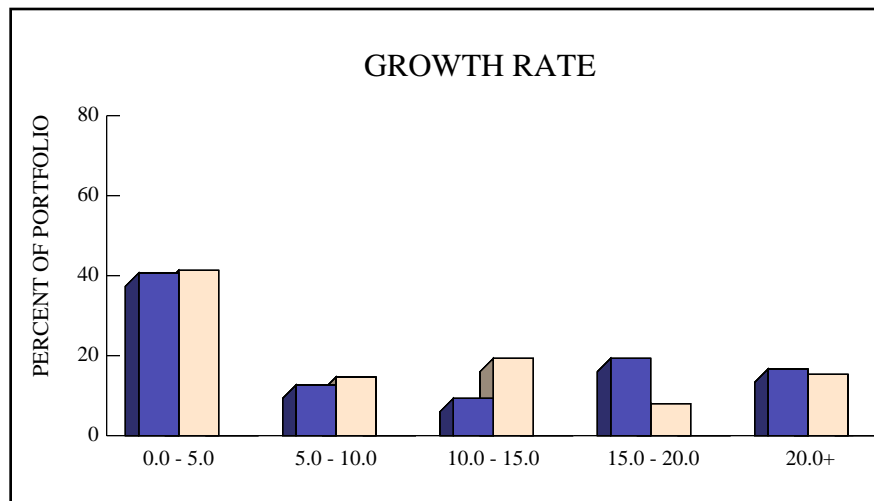
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2

Total Quarters Observed	4
Quarters At or Above the Benchmark	0
Quarters Below the Benchmark	4
Batting Average	.000

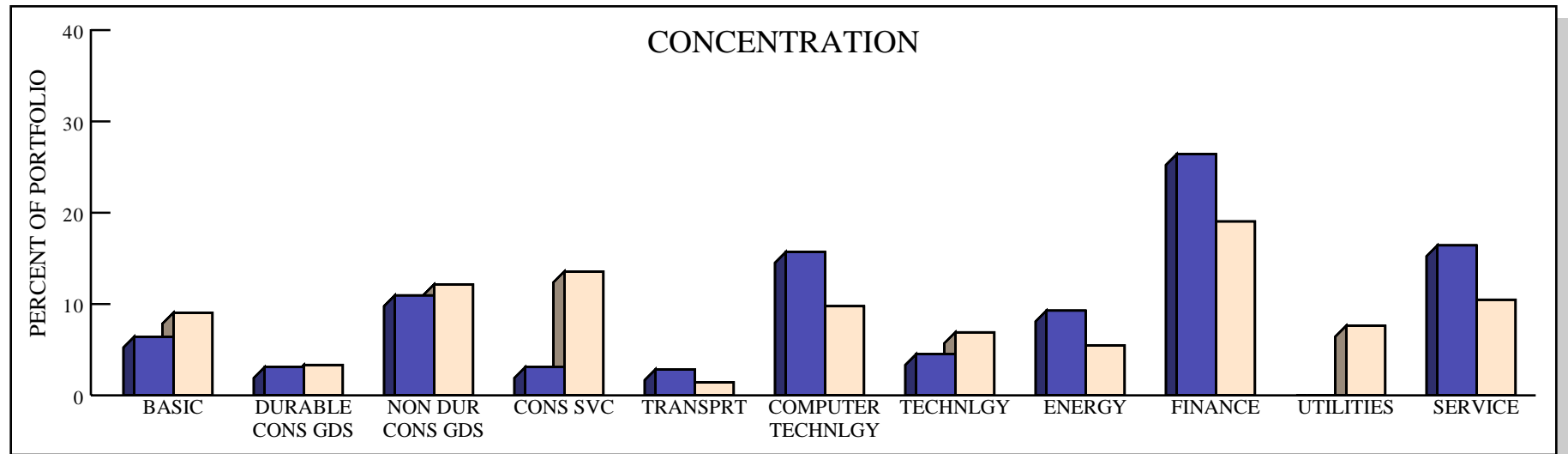
STOCK CHARACTERISTICS



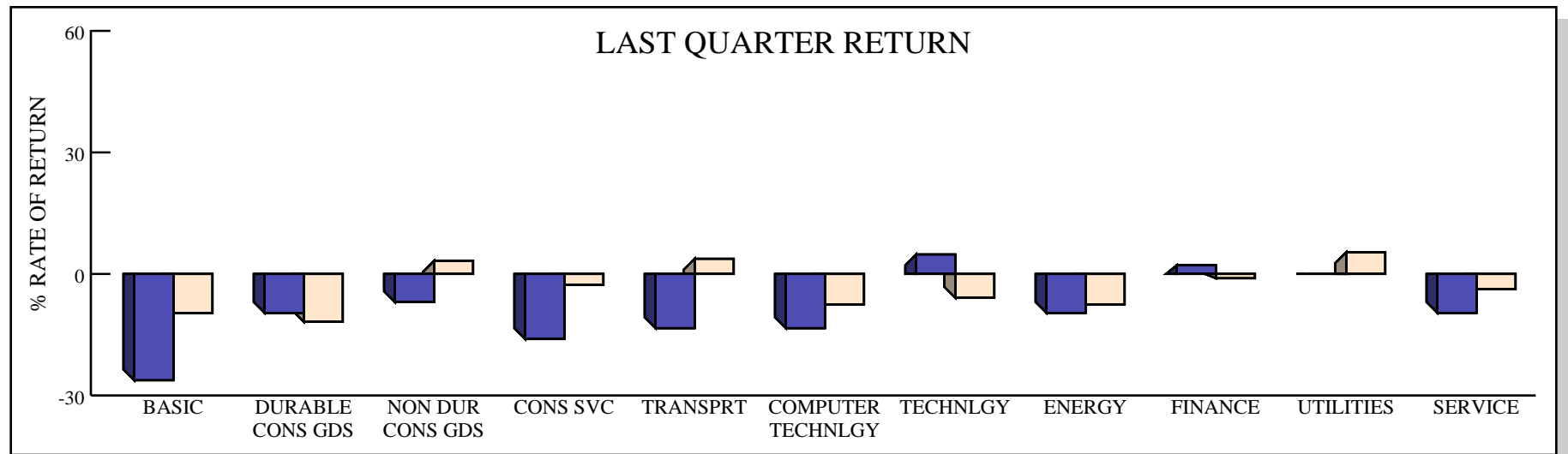
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	9.6%	8.4	1.03
RUSSELL MID	1.7%	6.9%	19.9	1.03



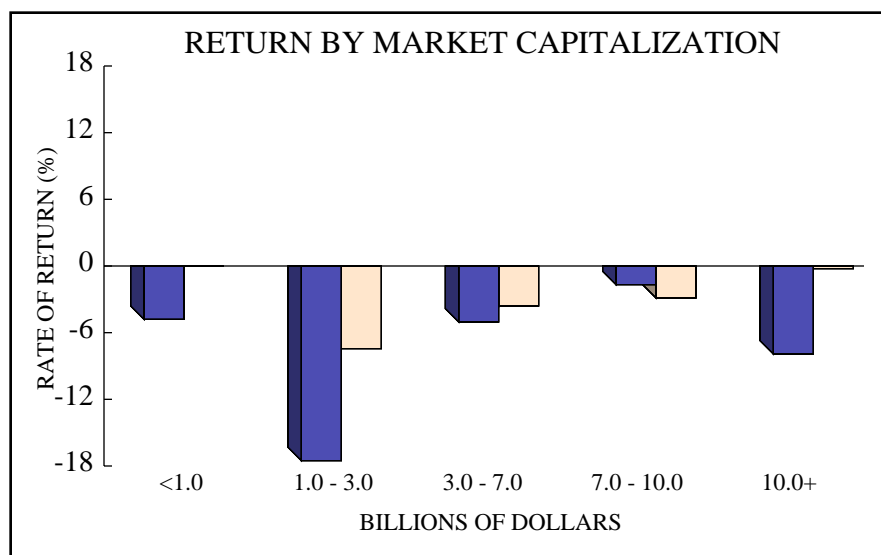
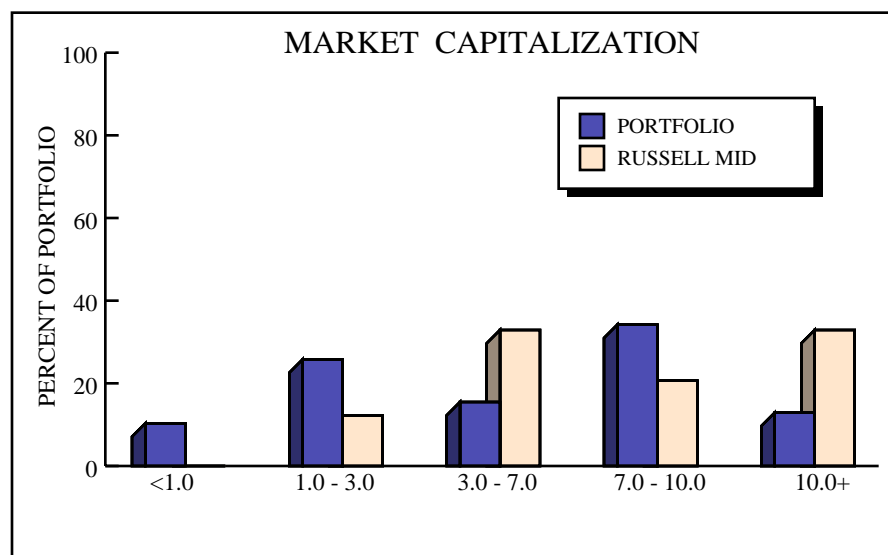
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL MID CAP



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - LIBER-A	\$ 255,818	6.79%	-0.3%	Service	\$ 9.9 B
2	LOEWS CORP	184,504	4.90%	2.8%	Finance	16.2 B
3	L-3 COMMUNICATIONS HOLDINGS	177,254	4.70%	5.2%	Technology	7.2 B
4	TESSERA TECHNOLOGIES INC	175,756	4.66%	-10.7%	Computer Tech	0.8 B
5	SYMANTEC CORP	169,841	4.51%	-21.9%	Computer Tech	10.5 B
6	ENDO HEALTH SOLUTIONS INC	168,376	4.47%	-20.0%	NonDur Cons Goods	3.6 B
7	MURPHY OIL CORP	157,257	4.17%	-10.1%	Energy	9.8 B
8	HCC INSURANCE HOLDINGS INC	151,662	4.02%	1.2%	Finance	3.2 B
9	REGIONS FINANCIAL CORP	145,260	3.85%	2.6%	Finance	9.5 B
10	VISTEON CORP	145,125	3.85%	-29.3%	Basic	2.0 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
DARUMA
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's Daruma portfolio was valued at \$8,498,783, a decrease of \$452,448 from the March ending value of \$8,951,231. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$452,448. Net investment loss was composed of income receipts totaling \$47,056 and \$499,504 in net realized and unrealized capital losses.

For the cumulative period since December 2006, the account has recorded net withdrawals totaling \$815,000 and net investment gains of \$2.5 million. Since December 2006, if the total account earned a compounded nominal rate of 8.0% it would have been worth \$9.6 million or \$1.1 million more than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

Total Fund

During the second quarter, the Daruma portfolio lost 5.1%, which was 1.6% below the Russell 2000 Index's return of -3.5% and ranked in the 61st percentile of the Small Cap universe. Over the trailing year, the portfolio returned -13.1%, which was 11.0% below the benchmark's -2.1% performance, ranking in the 97th percentile. Since December 2006, the account returned 5.2% on an annualized basis and ranked in the 24th percentile. For comparison, the Russell 2000 returned an annualized 1.6% over the same period.

ASSET ALLOCATION

On June 30th, 2012, domestic equities comprised 96.1% of the total portfolio (\$8.2 million), while cash & equivalents totaled 3.9% (\$330,372).

ANALYSIS

At the end of the quarter, the Daruma portfolio was invested in nine of the eleven industry sectors in our analysis. Relative to the Russell 2000, the portfolio placed much greater emphasis into the Non Durable Consumer Goods, Consumer Service, Computer Technology, and Service sectors. In contrast, the portfolio's weightings in the Basic sector were most notably light. This portfolio has historically been underweight in the Finance sector; last quarter, that position was eliminated entirely, leaving it and the Utilities sector vacant.

The portfolio's under-performance compared to the Russell 2000 index was due to a combination of stock selection and allocation effects. The over weighted Non-durable Consumer Goods and Computer Technology sectors were the biggest detractors in the portfolio during the quarter by significantly under-performing compared to their benchmark counterparts. Avoidance of the Finance and Utilities sectors also proved detrimental due to each sector's strong performance compared to the overall market. Overall the portfolio finished the quarter 160 basis points below the benchmark.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	-5.1	7.1	-13.1	18.7	5.2
<i>SMALL CAP RANK</i>	(61)	(66)	(97)	(53)	(24)
Total Net/Fees	-5.3	6.6	-14.1	17.6	4.1
RUSSELL 2000	-3.5	8.5	-2.1	17.8	1.6
Domestic Equity	-5.2	7.6	-13.5	19.4	5.2
<i>SMALL CAP RANK</i>	(63)	(60)	(97)	(43)	(24)
RUSSELL 2000	-3.5	8.5	-2.1	17.8	1.6
RUSSELL 2000G	-3.9	8.8	-2.7	18.1	3.5
RUSSELL 2000V	-3.0	8.2	-1.4	17.4	-0.3

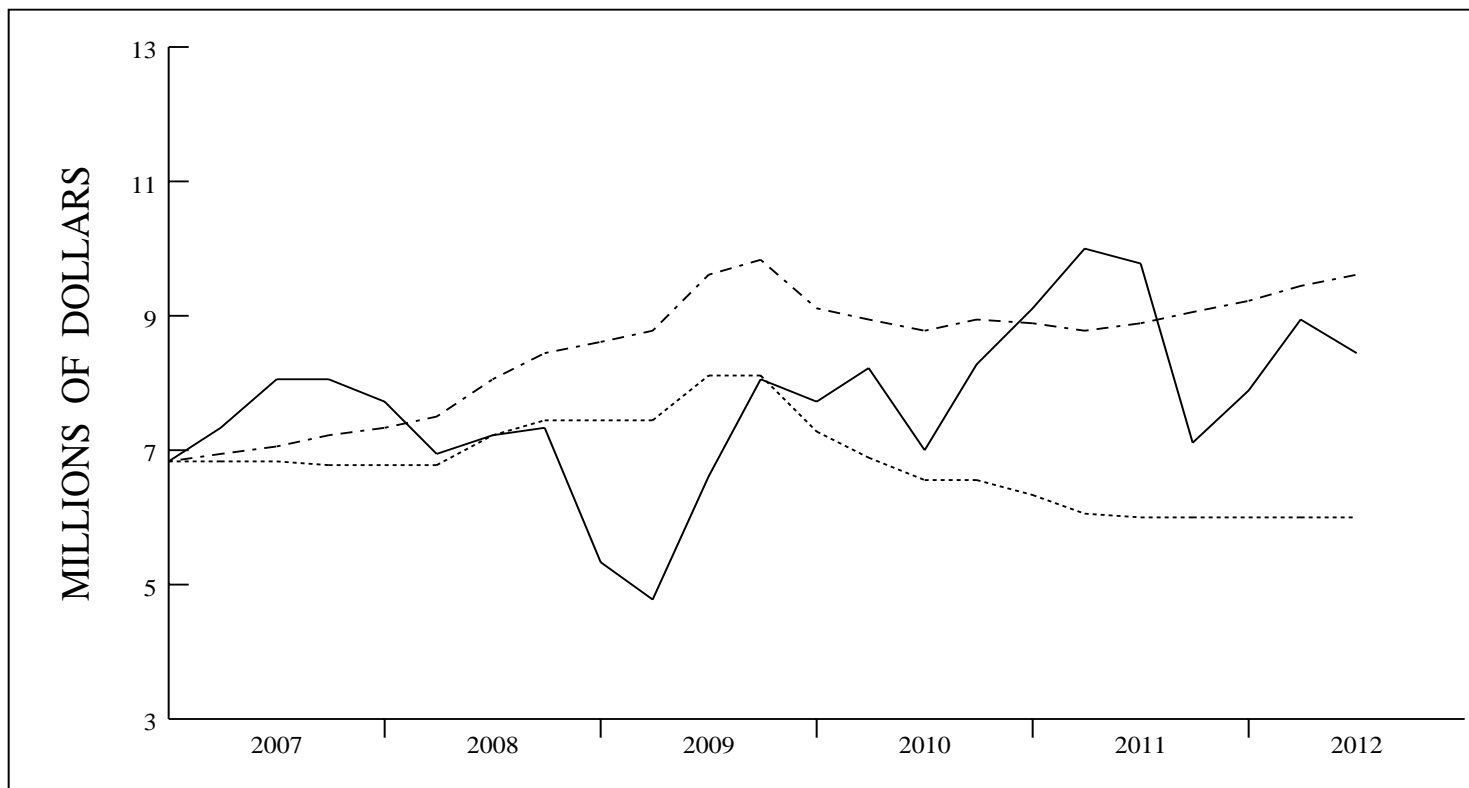
ASSET ALLOCATION

Domestic Equity	96.1%	\$ 8,168,412
Cash	3.9%	330,372
Total Portfolio	100.0%	\$ 8,498,783

INVESTMENT RETURN

Market Value 3/2012	\$ 8,951,231
Contribs / Withdrawals	0
Income	47,056
Capital Gains / Losses	-499,504
Market Value 6/2012	\$ 8,498,783

INVESTMENT GROWTH

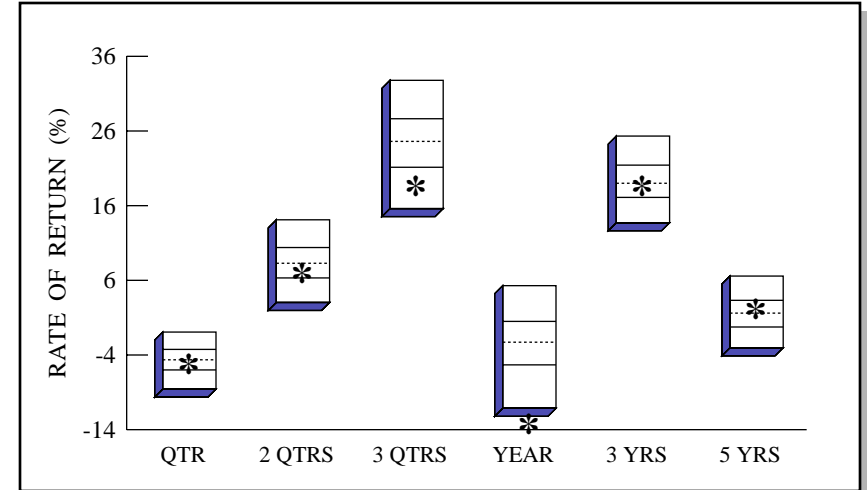
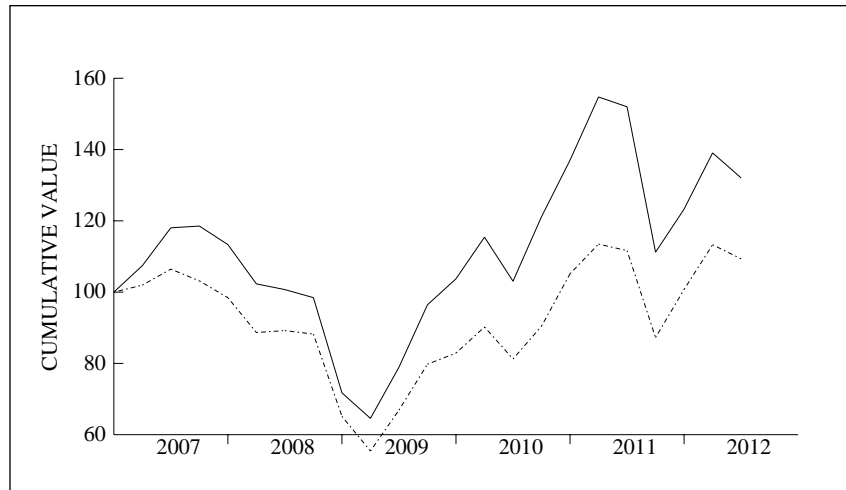


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

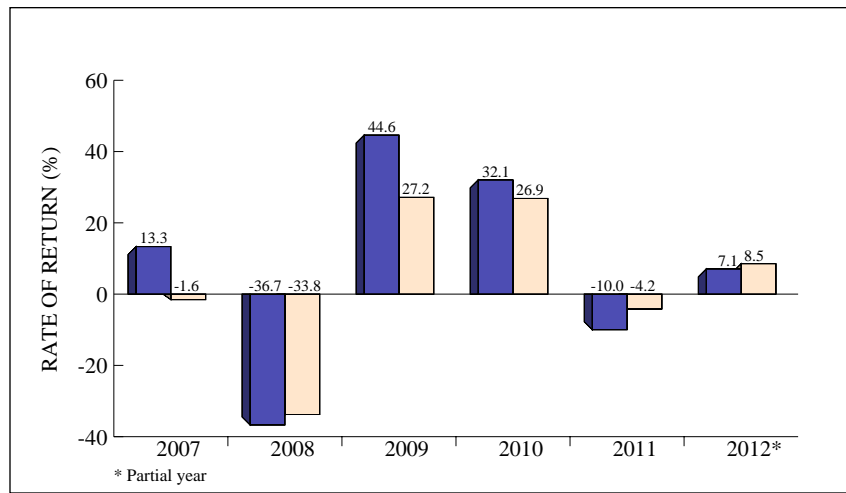
VALUE ASSUMING
 8.0% RETURN
 \$ 9,635,257

	LAST QUARTER	PERIOD 12/06 - 6/12
BEGINNING VALUE	\$ 8,951,231	\$ 6,835,404
NET CONTRIBUTIONS	0	-815,000
INVESTMENT RETURN	-452,448	2,478,379
ENDING VALUE	\$ 8,498,783	\$ 8,498,783
INCOME	47,056	267,100
CAPITAL GAINS (LOSSES)	-499,504	2,211,279
INVESTMENT RETURN	-452,448	2,478,379

TOTAL RETURN COMPARISONS

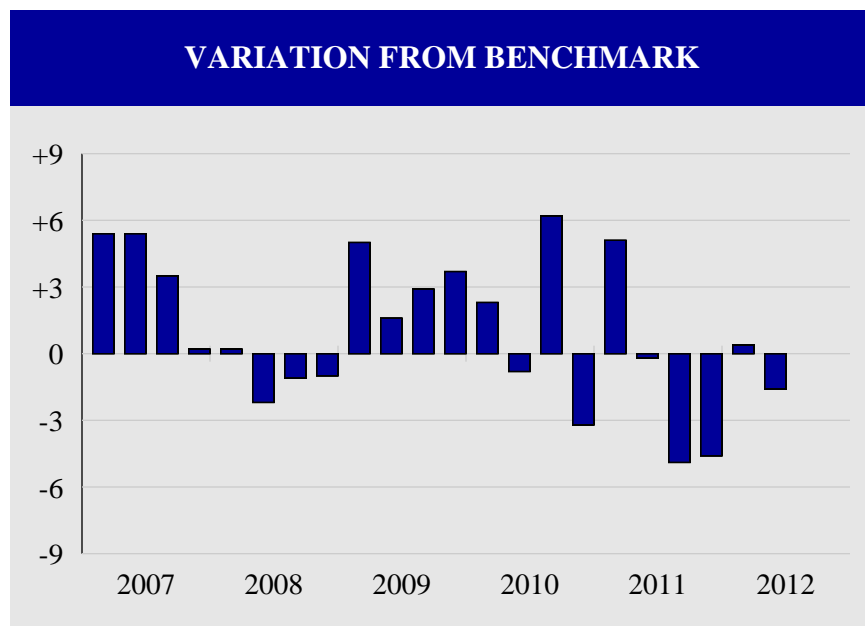


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-5.1	7.1	18.7	-13.1	18.7	2.3
(RANK)	(61)	(66)	(88)	(97)	(53)	(42)
5TH %ILE	-0.9	14.1	32.8	5.3	25.3	6.6
25TH %ILE	-3.3	10.4	27.6	0.5	21.4	3.3
MEDIAN	-4.6	8.3	24.6	-2.3	19.0	1.6
75TH %ILE	-6.0	6.3	21.2	-5.3	17.1	-0.3
95TH %ILE	-8.6	3.1	15.6	-11.2	13.7	-3.0
Russ 2000	-3.5	8.5	25.3	-2.1	17.8	0.5

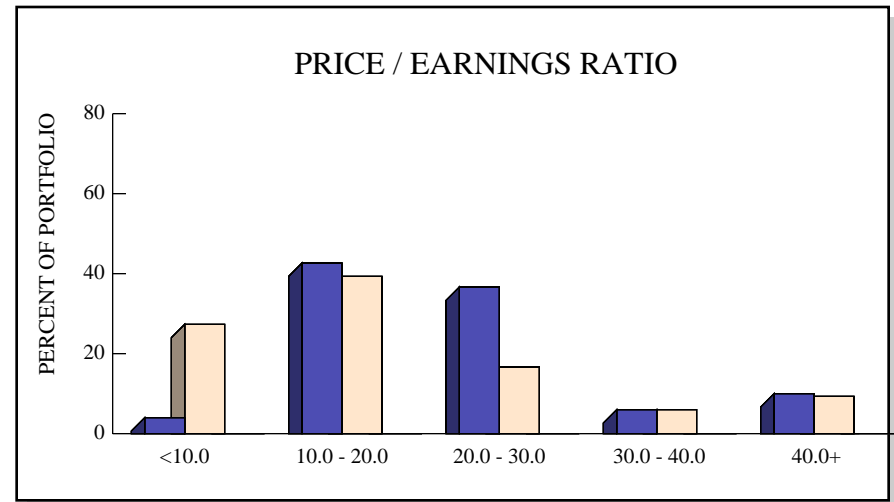
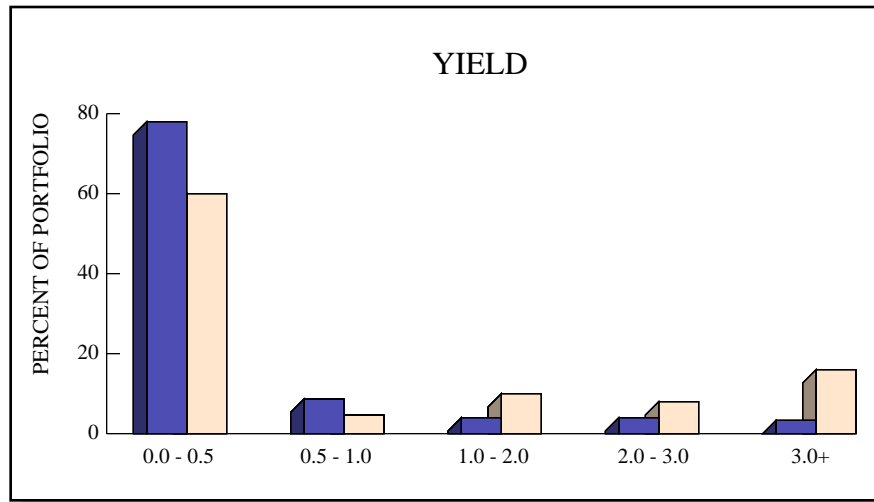
Small Cap Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: RUSSELL 2000**

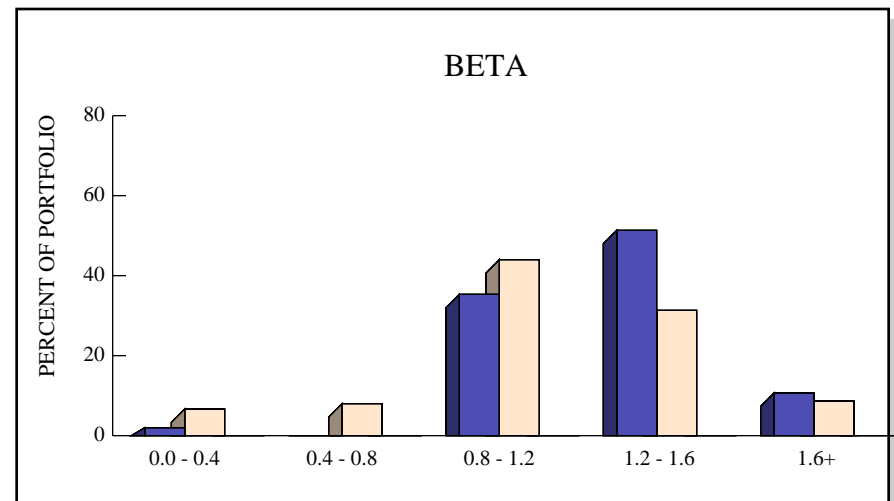
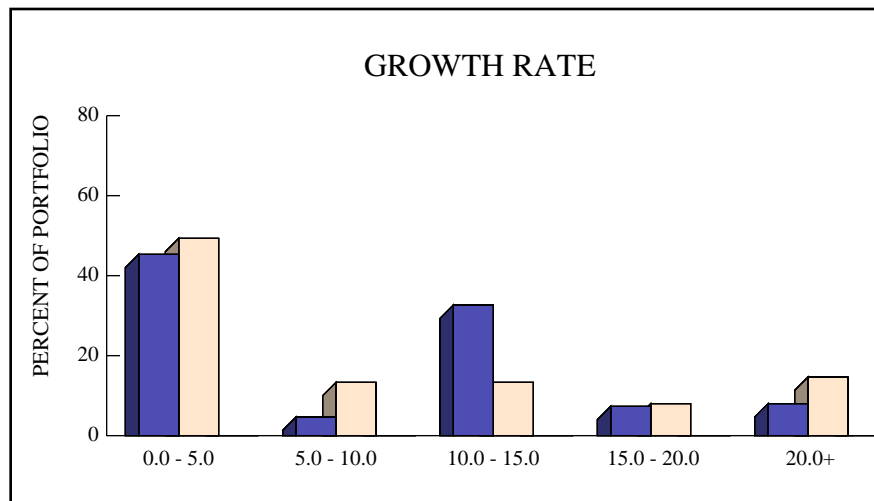
Total Quarters Observed	22
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	9
Batting Average	.591

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	7.4	2.0	5.4
6/07	9.8	4.4	5.4
9/07	0.4	-3.1	3.5
12/07	-4.4	-4.6	0.2
3/08	-9.7	-9.9	0.2
6/08	-1.6	0.6	-2.2
9/08	-2.2	-1.1	-1.1
12/08	-27.1	-26.1	-1.0
3/09	-10.0	-15.0	5.0
6/09	22.3	20.7	1.6
9/09	22.2	19.3	2.9
12/09	7.6	3.9	3.7
3/10	11.2	8.9	2.3
6/10	-10.7	-9.9	-0.8
9/10	17.5	11.3	6.2
12/10	13.1	16.3	-3.2
3/11	13.0	7.9	5.1
6/11	-1.8	-1.6	-0.2
9/11	-26.8	-21.9	-4.9
12/11	10.9	15.5	-4.6
3/12	12.8	12.4	0.4
6/12	-5.1	-3.5	-1.6

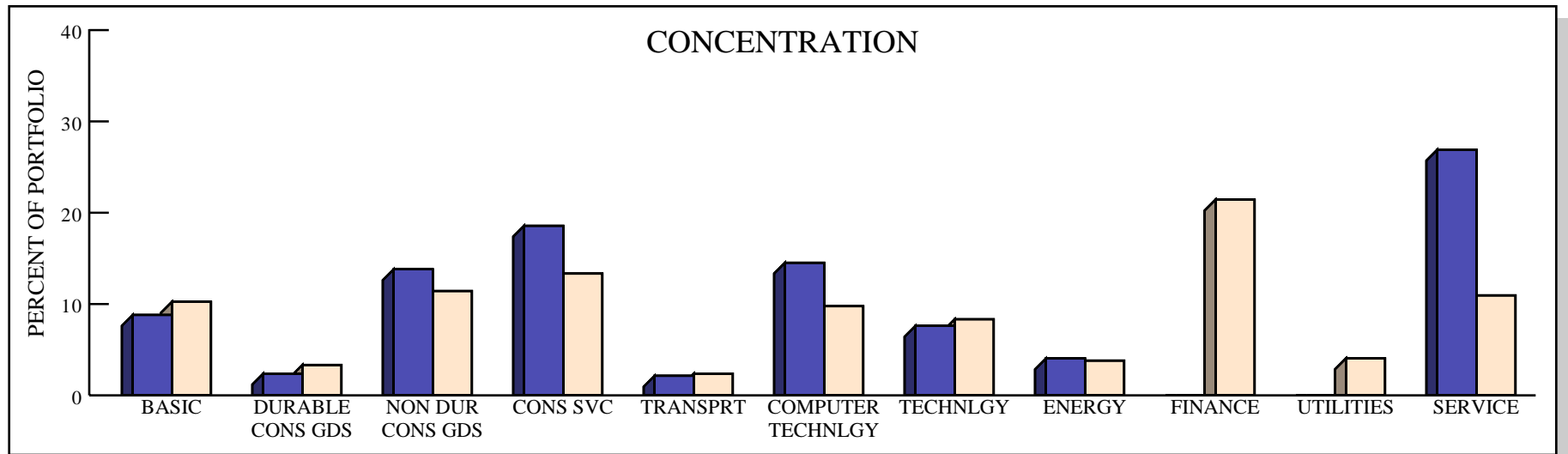
STOCK CHARACTERISTICS



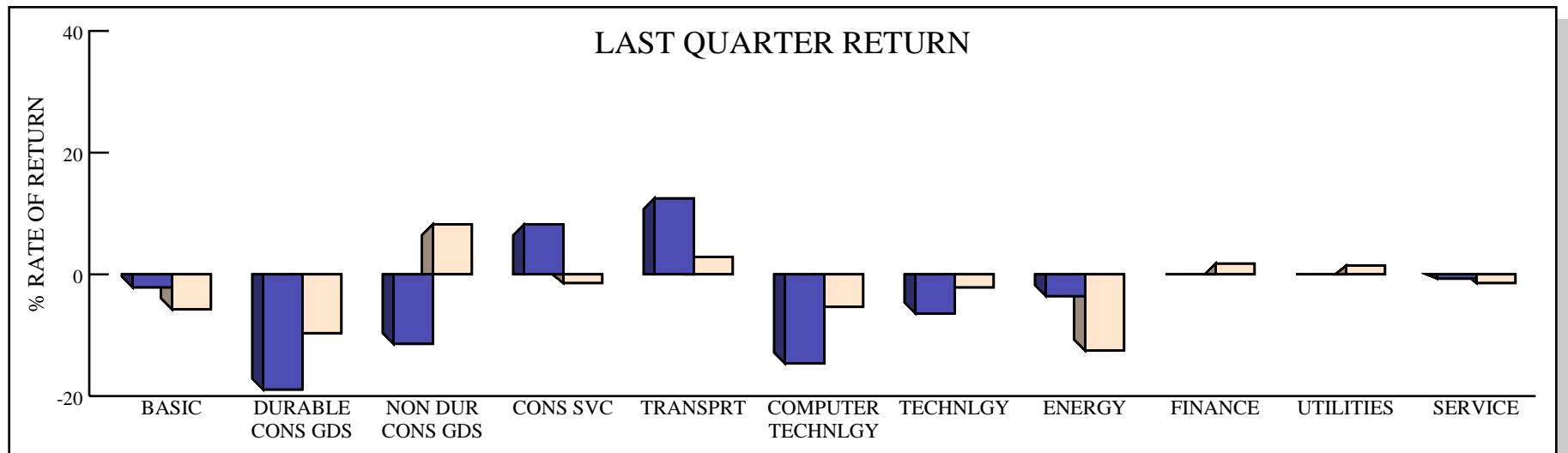
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.9%	6.6%	22.3	1.29
RUSSELL 2000	1.4%	5.7%	16.1	1.10



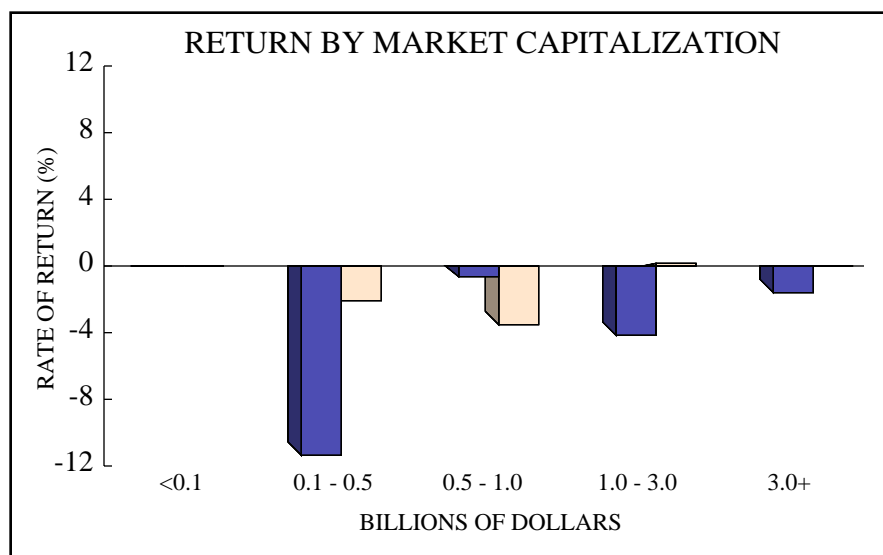
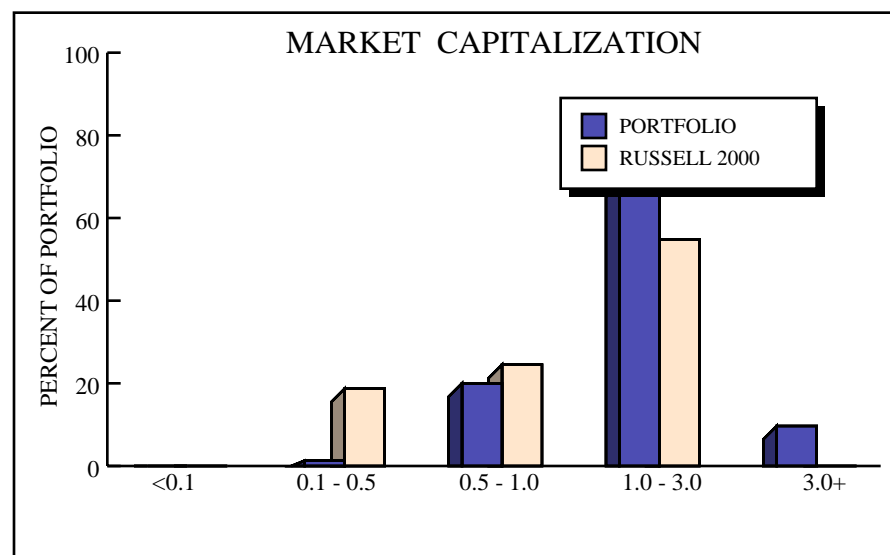
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 2000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LUMBER LIQUIDATORS HOLDINGS	\$ 432,174	5.29%	34.6%	Consumer Service	\$ 0.9 B
2	COSTAR GROUP INC	360,528	4.41%	17.6%	Service	2.1 B
3	WRIGHT EXPRESS CORP	340,077	4.16%	-4.7%	Service	2.4 B
4	HEALTHSOUTH CORP	331,641	4.06%	13.6%	Consumer Service	2.2 B
5	LIFE TIME FITNESS INC	319,524	3.91%	-8.0%	Consumer Service	2.0 B
6	WABTEC CORP	308,920	3.78%	3.5%	Basic	3.8 B
7	MAXIMUS INC	308,430	3.78%	27.5%	Service	1.8 B
8	ACXIOM CORP	286,032	3.50%	2.9%	Service	1.2 B
9	CIENA CORP	285,165	3.49%	1.1%	Technology	1.6 B
10	SHUTTERFLY INC	283,576	3.47%	-2.0%	Service	1.1 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT CORE REAL ESTATE
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$4,653,499, representing an increase of \$72,850 from the March quarter's ending value of \$4,580,649. Last quarter, the Fund posted withdrawals totaling \$4,887, which partially offset the portfolio's net investment return of \$77,737. Income receipts totaling \$61,883 plus net realized and unrealized capital gains of \$15,854 combined to produce the portfolio's net investment return.

For the cumulative period since September 2010, the fund has recorded net contributions totaling \$2.8 million, and recorded net investment gains of \$595,707. For the period since September 2010, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.4 million or \$227,722 less than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

In the second quarter, the PRIT Core Real Estate portfolio gained 1.7%, which was 0.8% less than the NCREIF NFI-ODCE Index's return of 2.5%. Over the trailing twelve-month period, the portfolio returned 9.9%, which was 2.5% below the benchmark's 12.4% return. Since September 2010, the account returned 13.3% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 15.4% over the same time frame.

ASSET ALLOCATION

This portfolio was fully invested in the PRIT Core Real Estate Fund at the end of the quarter.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 9/2010
Total Gross/Fees	1.7	6.4	9.9	----	13.3
Total Net/Fees	1.6	6.2	9.4	----	12.7
NCREIF ODCE	2.5	5.4	12.4	8.4	15.4
Real Estate	1.7	6.4	9.9	----	13.3
NCREIF ODCE	2.5	5.4	12.4	8.4	15.4

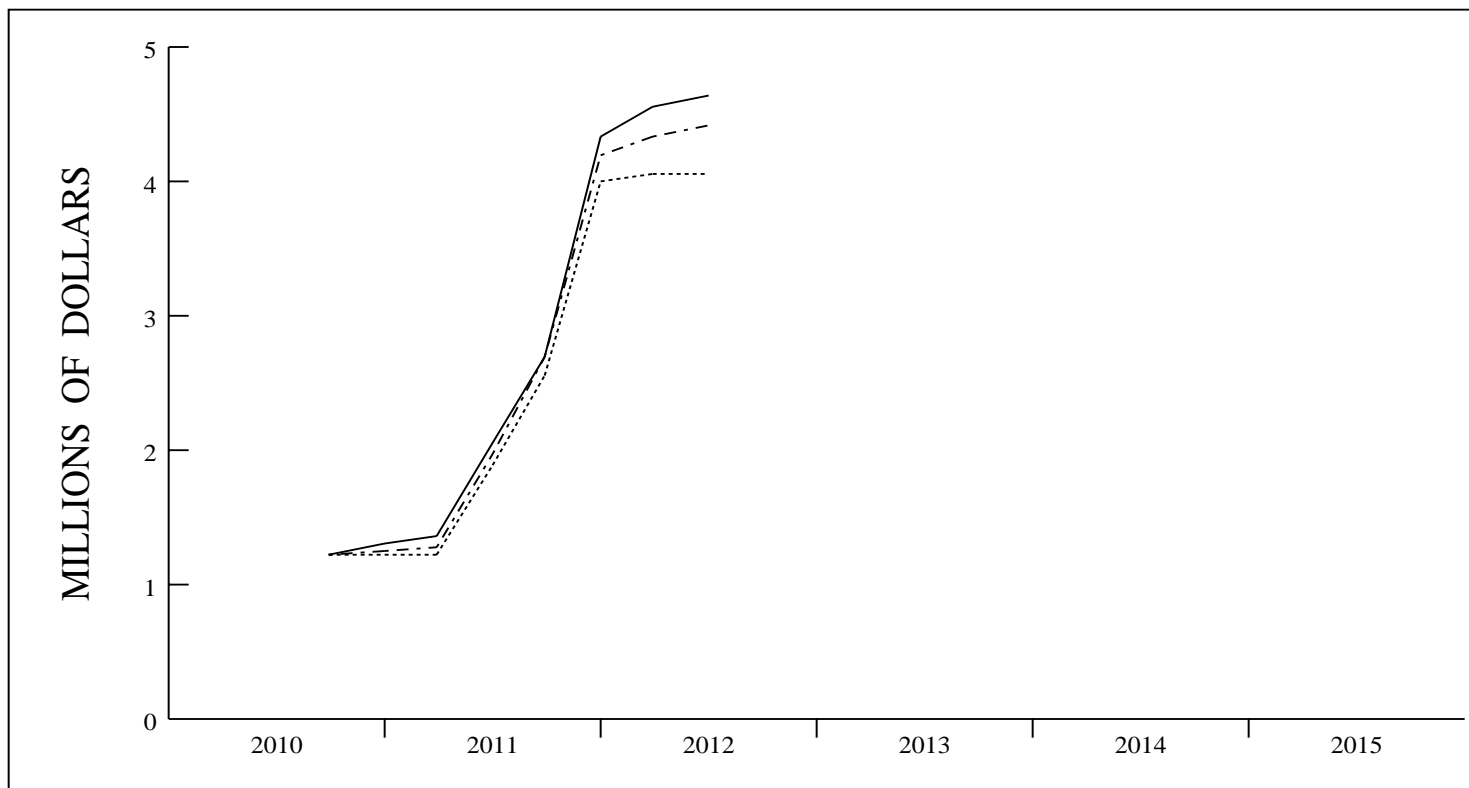
ASSET ALLOCATION

Real Estate	100.0%	\$ 4,653,499
Total Portfolio	100.0%	\$ 4,653,499

INVESTMENT RETURN

Market Value 3/2012	\$ 4,580,649
Contribs / Withdrawals	-4,887
Income	61,883
Capital Gains / Losses	15,854
Market Value 6/2012	\$ 4,653,499

INVESTMENT GROWTH



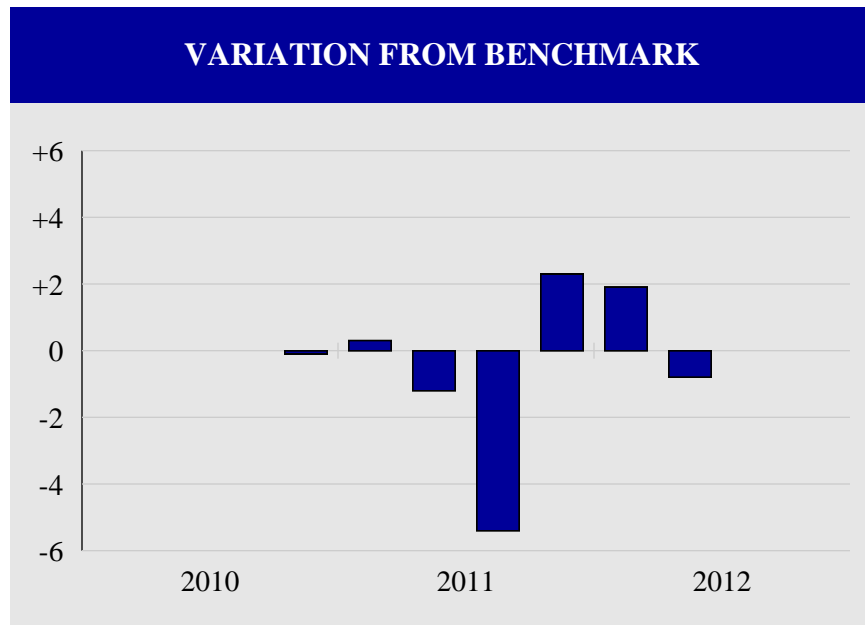
— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 4,425,777

	LAST QUARTER	PERIOD 9/10 - 6/12
BEGINNING VALUE	\$ 4,580,649	\$ 1,247,572
NET CONTRIBUTIONS	- 4,887	2,810,220
INVESTMENT RETURN	77,737	595,707
<u>ENDING VALUE</u>	<u>\$ 4,653,499</u>	<u>\$ 4,653,499</u>
INCOME	61,883	260,285
CAPITAL GAINS (LOSSES)	15,854	335,422
INVESTMENT RETURN	<u>77,737</u>	<u>595,707</u>

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/10	4.9	5.0	-0.1
3/11	4.3	4.0	0.3
6/11	3.4	4.6	-1.2
9/11	-1.9	3.5	-5.4
12/11	5.3	3.0	2.3
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8

Total Quarters Observed	7
Quarters At or Above the Benchmark	3
Quarters Below the Benchmark	4
Batting Average	.429

FRANKLIN REGIONAL RETIREMENT SYSTEM
INCOME RESEARCH & MANAGEMENT
PERFORMANCE REVIEW
JUNE 2012

INVESTMENT RETURN

On June 30th, 2012, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$11,117,913, representing an increase of \$231,460 from the March quarter's ending value of \$10,886,453. Last quarter, the Fund posted no net contributions or withdrawals, while posting \$231,460 in net investment returns. Since there were no income receipts for the second quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$231,460.

For the cumulative period since December 2006, the portfolio has posted net withdrawals totaling \$587,000 and recorded net investment gains totaling \$3.3 million. For the period since December 2006, if the fund had returned a compounded nominal rate of 8.0% it would have been valued at \$12.0 million or \$879,568 more than the actual value as of June 30th, 2012.

RELATIVE PERFORMANCE

For the second quarter, the Income Research & Management portfolio returned 2.1%, which was equal to the Barclays Aggregate Index's return of 2.1% and ranked in the 54th percentile of the Core Fixed Income universe. Over the trailing year, this portfolio returned 7.6%, which was 0.1% above the benchmark's 7.5% return, ranking in the 68th percentile. Since December 2006, the account returned 6.8% on an annualized basis and ranked in the 54th percentile. For comparison, the Barclays Aggregate Index returned an annualized 6.4% over the same time frame.

ASSET ALLOCATION

The portfolio was fully invested in the IR&M Core Bond Fund at the end of the quarter.

ANALYSIS

At the end of the quarter, approximately 35% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through less than BBB, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 11.8 years, significantly longer than the Barclays Aggregate Index's 7.1-year maturity. The average coupon was 4.8%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	2.1	3.4	7.6	8.0	6.8
<i>CORE FIXED INCOME RANK</i>	(54)	(33)	(68)	(53)	(54)
Total Net/Fees	2.0	3.3	7.2	7.6	6.4
BARCLAYS AGG	2.1	2.4	7.5	6.9	6.4
Fixed Income	2.1	3.4	7.6	8.0	6.8
<i>CORE FIXED INCOME RANK</i>	(54)	(33)	(68)	(53)	(53)
BARCLAYS AGG	2.1	2.4	7.5	6.9	6.4
GOV/CREDIT	2.6	2.7	8.8	7.3	6.4

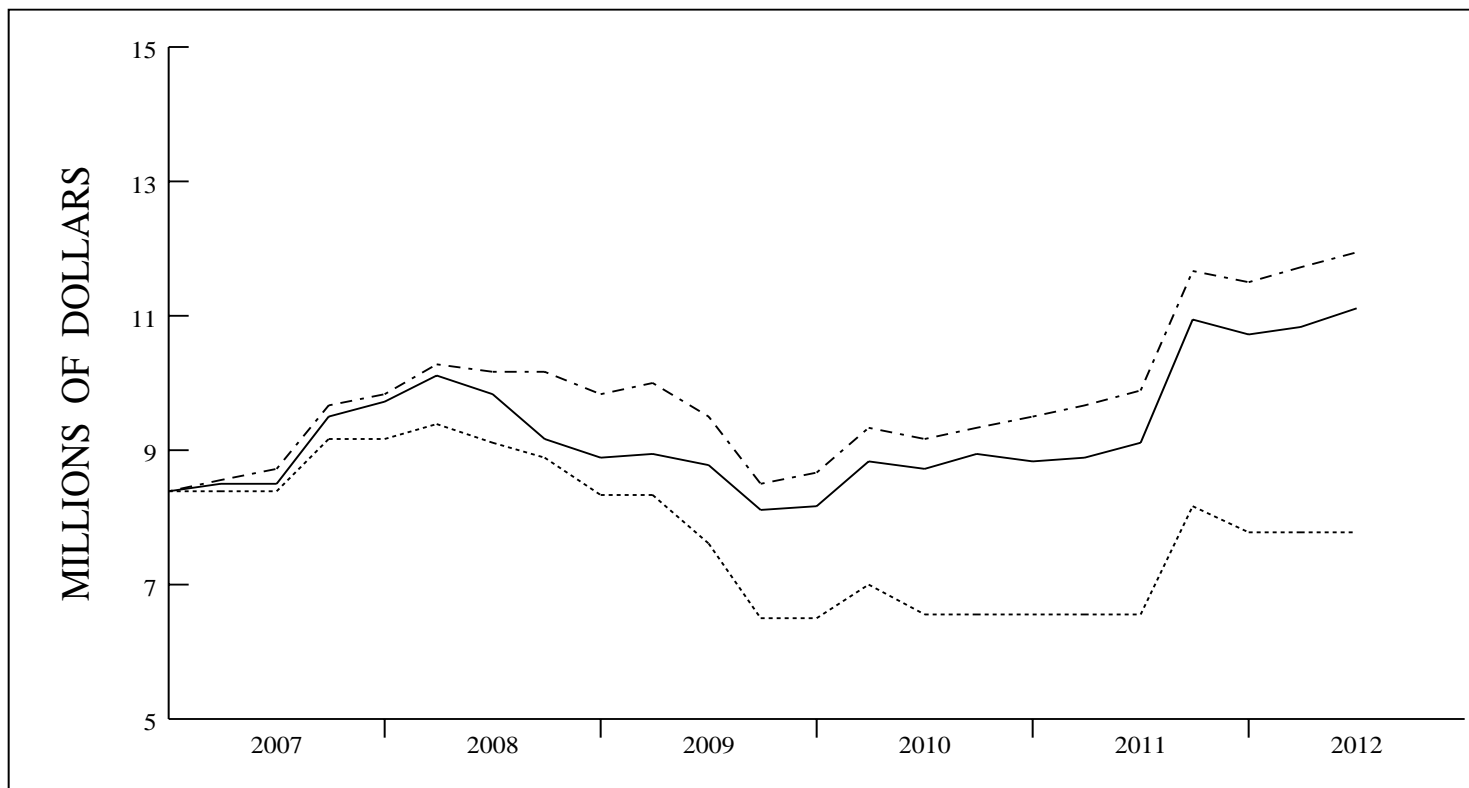
ASSET ALLOCATION

Fixed Income	100.0%	\$ 11,117,913
Total Portfolio	100.0%	\$ 11,117,913

INVESTMENT RETURN

Market Value 3/2012	\$ 10,886,453
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	231,460
Market Value 6/2012	\$ 11,117,913

INVESTMENT GROWTH

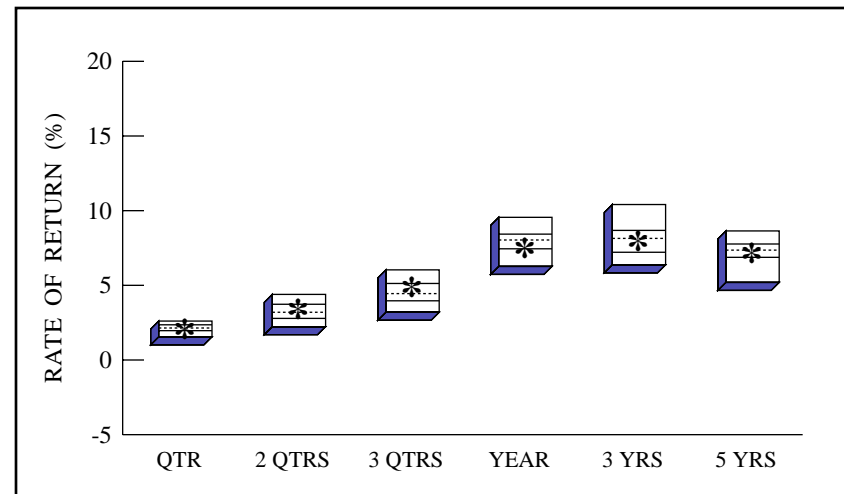
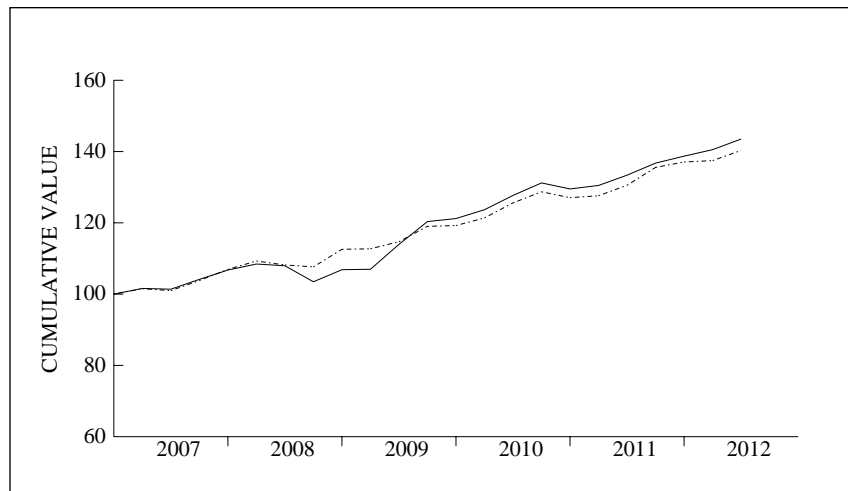


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

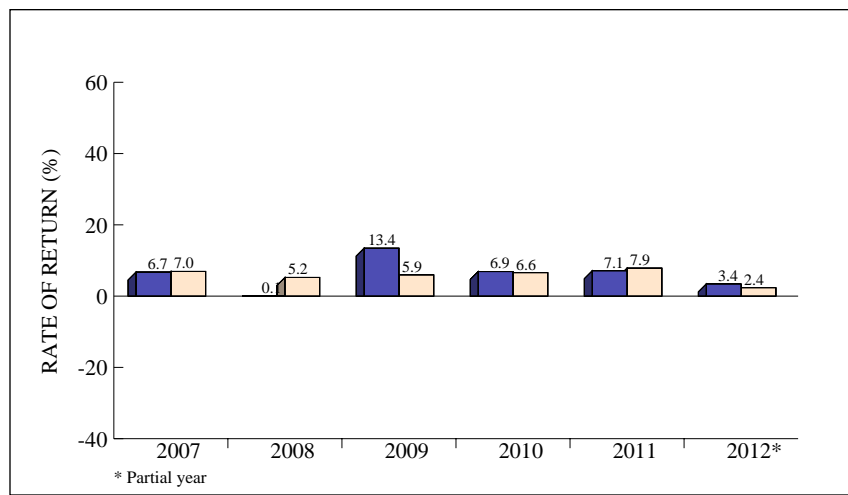
VALUE ASSUMING
 8.0% RETURN
 \$ 11,997,481

	LAST QUARTER	PERIOD 12/06 - 6/12
BEGINNING VALUE	\$ 10,886,453	\$ 8,417,154
NET CONTRIBUTIONS	0	-587,000
<u>INVESTMENT RETURN</u>	<u>231,460</u>	<u>3,287,759</u>
ENDING VALUE	\$ 11,117,913	\$ 11,117,913
INCOME	0	87
CAPITAL GAINS (LOSSES)	<u>231,460</u>	<u>3,287,672</u>
INVESTMENT RETURN	231,460	3,287,759

TOTAL RETURN COMPARISONS



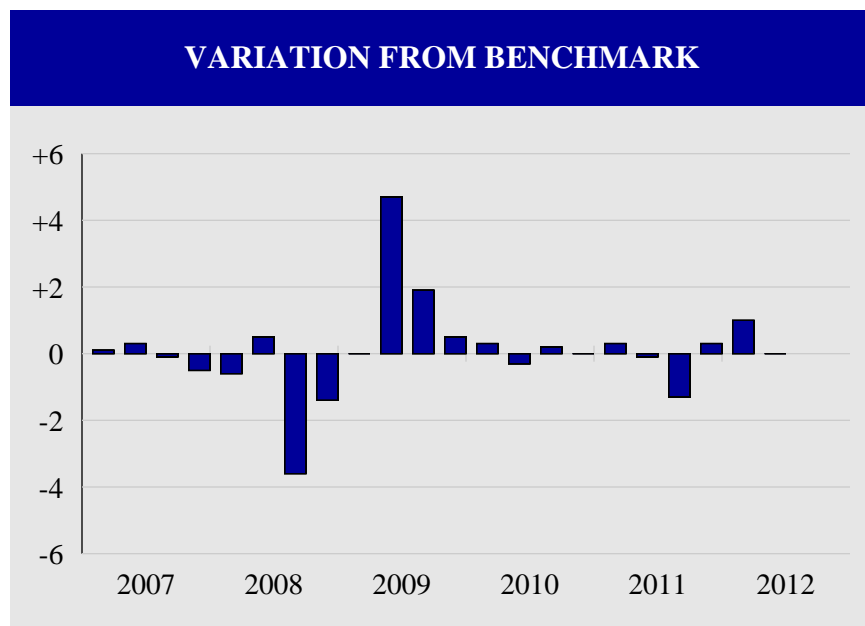
Core Fixed Income Universe



* Partial year

	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.1	3.4	4.9	7.6	8.0	7.2
(RANK)	(54)	(33)	(33)	(68)	(53)	(58)
5TH %ILE	2.6	4.4	6.0	9.6	10.4	8.6
25TH %ILE	2.4	3.7	5.1	8.4	8.7	7.8
MEDIAN	2.2	3.2	4.4	8.0	8.1	7.4
75TH %ILE	2.0	2.8	4.0	7.4	7.2	6.9
95TH %ILE	1.6	2.2	3.2	6.3	6.4	5.2
Agg Index	2.1	2.4	3.5	7.5	6.9	6.8

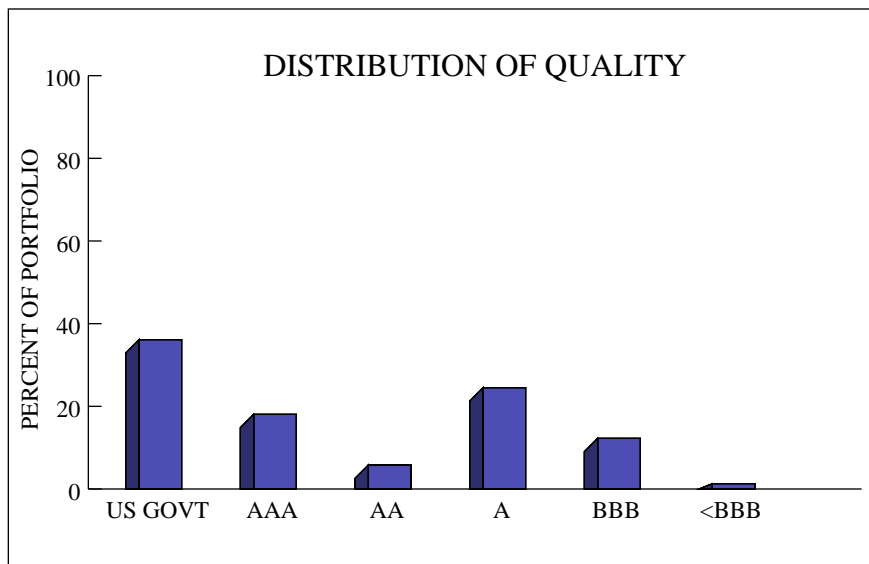
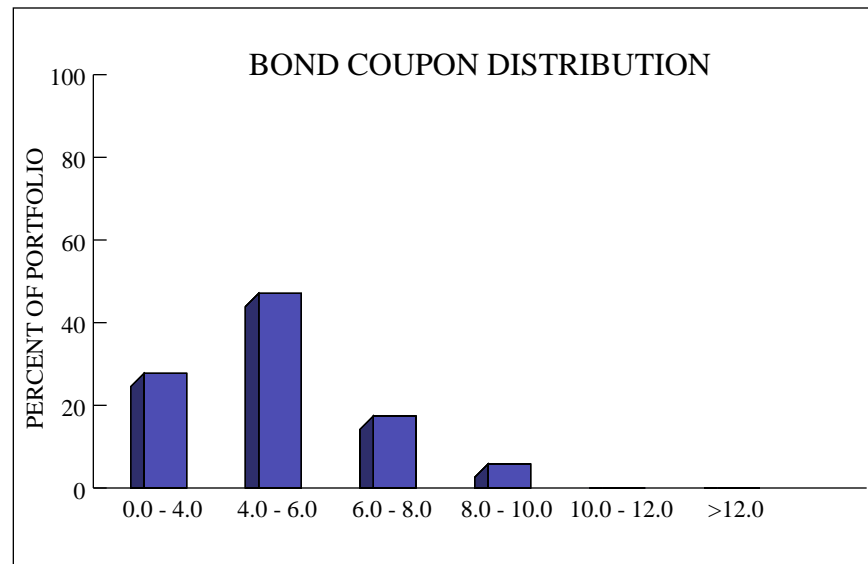
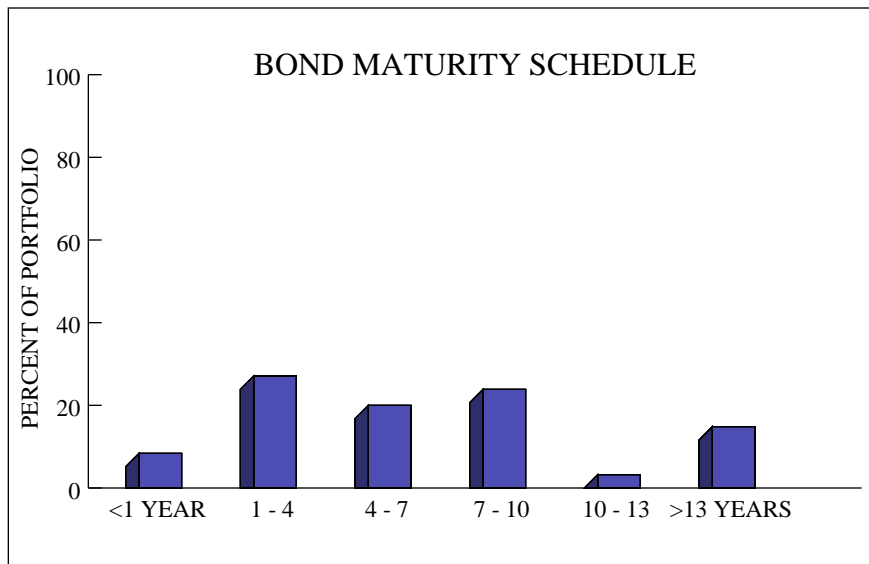
Core Fixed Income Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

Total Quarters Observed	22
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	8
Batting Average	.636

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.7	2.8	-0.1
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3
6/11	2.2	2.3	-0.1
9/11	2.5	3.8	-1.3
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	145	7,921
Duration	6.78	5.07
YTM	4.02	1.98
Average Coupon	4.75	3.78
Avg Maturity / WAL	11.75	7.05
Average Quality	AAA-AA	USG-AAA